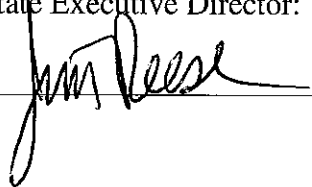


UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
100 USDA, Suite 102
Stillwater, OK 74074

For: County Offices

Beneficial Interest Determinations of Commodity Contracts

Approved by: State Executive Director:



1 Overview

A Background

7 CFR 1421.5 provides instructions for County Offices to review contracts or leases when there is reason to believe producers may have lost beneficial interest in a commodity. Handbooks 8-LP and 7-CN (Rev. 15) instruct counties that any option to purchase or sales contract for which a determination cannot be made should be forwarded to the State Office. National Notice LP-1917 instructs County Offices that for the 2003 crop year, the National Office will review all peanut contracts and make final beneficial interest determinations on them.

The State Office has compiled all 2003 beneficial interest determinations made by the National Office to-date and grouped them by commodity type.

B Purpose

This Notice provides County Offices with beneficial interest determinations of option to purchase and sales contracts for cotton and peanuts for the 2003 crop year.

Counties should keep this notice in a 3-ring binder for reference. New contract determinations will be provided as they occur.

Disposal	Distribution
December 31, 2003	County Offices, DDs, CORs

2003 Cotton Contracts

Crop year 2003 Beneficial Interest Determinations of Cotton Contracts:

- **Paul Reinhart, Inc.** - Option to Purchase Cotton Pledged to Commodity Credit Corporation - April 25, 2003
- **Paul Reinhart, Inc.** - Cotton Acreage Contract and Addendum, 2003/2004 Crop Contract - April 25, 2003
- **Eastern Trading Company Sale and Purchasing Agreement** - April 24, 2003
- **Plains Cotton Cooperative Association** "Loan Eligible Crop Contract" - March 3, 2003

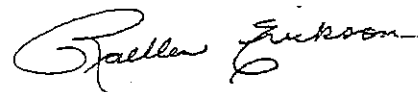
OK Notice LP(GR)-1682

Exhibit 1

APR 24 2003

TO: Tim Kelley
SED, Missouri State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division



SUBJECT: Option to Purchase Cotton Contract - Your April 1 FAX

We have reviewed the proposed contract titled "Option to Purchase Cotton Pledged to Commodity Credit Corporation" that was submitted on behalf of Paul Reinhart, Inc. The intent of our review was to determine whether the seller retains beneficial interest in the cotton, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

We agree with your determination. Item 2 on the submitted contract provides that "the Producer/Seller further agrees not to redeem such cotton from the loan or to execute another Commodity Credit Corporation Form No. 605 in favor of any other person for redemption of such cotton." This statement removes the producer's decision making ability; therefore, control of the commodity is no longer with the producer and beneficial interest in the commodity is lost.

The regulation at 7 CFR, Part 1427.5(e)(1), states, "To be eligible to receive loans and loan deficiency payments, a producer must have beneficial interest in the commodity that is tendered to CCC for a loan or loan deficiency payment. The producer must always have had the beneficial interest in the cotton...."

The contract also indicates that it is an "Option to Purchase Cotton" contract. However, the contract does not contain the entire option to purchase provision provided in 7 CFR, Part 1427.5(e)(2)(i).

Based on our review, producers entering into the proposed contract as submitted, would lose beneficial interest upon signing the submitted contract.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

**OPTION TO PURCHASE COTTON
PLEDGED TO COMMODITY CREDIT CORPORATION**

This contract made and entered into on _____, 20____, at _____,
between _____ of _____, called the Producer/Seller and
Paul Reinhart, Inc., Richardson, Dallas County, Texas called the Buyer, WITNESSETH:

In consideration of the mutual promises and obligations contained herein, sufficiency of which is acknowledged, the parties agree as follows:

1. The Producer/Seller for \$_____ per pound or bale and for the additional consideration enumerated herein contracts to sell an option to purchase the cotton covered by the warehouse receipts identified in ~~the attached executed Commodity Credit Corporation Form No. 605 authorizing the ASCS County Officer~~ to release such warehouse receipts to the Buyer named herein or to his/her successor in interest upon the payment of the loan indebtedness on such cotton and all accrued charges;
2. The Producer/Seller further agrees not to redeem such cotton from the loan or to execute another Commodity Credit Corporation Form No. 605 in favor of any other person for redemption of such cotton;
3. Notwithstanding any other provision of this option to purchase, title, risk of loss, and beneficial interest in the cotton, as specified in 7 CFR part 1427, shall remain with the Producer until the buyer exercises this option to purchase the cotton. This option to purchase shall expire, notwithstanding any action or inaction by either the Producer or the Buyer, at the earlier of: (1) The maturity of any Commodity Credit Corporation price support loan which is secured by such commodity; or (2) the date the Commodity Credit Corporation claims title to such commodity;
4. The Buyer or his/her successor(s) in interest to this option to purchase contract agrees that in the event that the cotton is not redeemed from the loan that he/she shall reimburse the Producer for all related loan program charges not otherwise covered by this agreement;
5. The Buyer acknowledges that the Commodity Credit Corporation's interest in the cotton shall have priority over his/her interest and that of his/her successor(s) in interest;
6. It is acknowledged that this contract is accepted by Buyer in the State of Texas, and shall be governed by and interpreted in accordance with the laws of said State. Should any litigation arise out of or occur because of the breach of this contract, both parties agree to submit to the jurisdiction of any State or Federal court in the State of Texas, empowered to hear and determine such dispute, with any non-resident party hereby agreeing that service of process by a judicial officer or by the Secretary of State of said State through registered mail shall be sufficient to establish personal jurisdiction.
7. Payment Limitation: Seller acknowledges that USDA imposes payment limitations upon USDA farm program entitlements, payments and benefits, and that the option price specified in Paragraph 1 above does not take into consideration such limitations. In the event that any payment limitation applicable to the pledged cotton causes Buyer to pay a redemption price in excess of the amount that Buyer would be required to pay to redeem the cotton without adjustment for payment limitation, then Seller/Producer will promptly reimburse Buyer for its excess redemption costs.

Witness our signatures as of the day and year first above written.

Seller _____

Paul Reinhart, Inc., Buyer

By _____

By _____

Witness: _____

Witness: _____

Seller's Agent _____

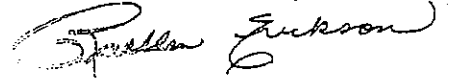
Buyer's Agent _____

OK Notice LP(GR)-1682

APR 24 2003

TO: Tim Kelley
SED, Missouri State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division



SUBJECT: Cotton Contract Review Paul Reinhart, Inc. - Cotton Acreage Contract -
Your April 1 FAX

We have reviewed the proposed contracts titled "Cotton Acreage Contract and Addendum 2003/2004 Crop Contract" that was submitted on behalf of Paul Reinhart, Inc. The intent of our review was to determine whether the seller retains beneficial interest in the cotton, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into the Cotton Acreage Contract would be considered to have lost beneficial interest in the cotton when the cotton is redeemed from CCC loan, provided such cotton is pledged as collateral for a CCC marketing assistance loan.

If the cotton is not pledged as collateral for a CCC marketing assistance loan, producers entering into the Cotton Acreage Contract lose beneficial interest in the cotton the earlier of the date:

- cotton is delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the cotton is invoiced, or
- any payment is received for purchase of the cotton.

We are concerned with the note on the submitted Addendum 2003/2004 Crop Contract. The note states that "after September 30, 2003 seller may only place cotton into CCC Loan at buyers option." This statement removes the producer's decision making ability; therefore, control of the commodity is no longer with the producer and beneficial interest in the commodity is lost.

The regulation at 7 CFR, Part 1427.5(e)(1), states, "To be eligible to receive loans and loan deficiency payments, a producer must have beneficial interest in the commodity that is tendered to CCC for a loan or loan deficiency payment. The producer must always have had the beneficial interest in the cotton...."

6-20-03

Based on our review, producers entering into the proposed Addendum 2003/2004 Crop Contract as submitted, would lose beneficial interest upon signing the submitted contract. Therefore, if the Cotton Acreage Contract is used in conjunction with the Addendum 2003/2004 Crop Contract beneficial interest will be lost the date of signing the Addendum contract.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

cc: PSD:DO:4095-S
PSD:Gene Rosera:4089A-S
PSD:CPPB:4709-S
PSD:CPPB:TWilliams:4089A-S
AL:STO:Joan Grider:FAX:334-279-3550
AR:STO:Tony Franco:FAX:01-301-3088
AZ:STO:RoseMary Leon:FAX:602-640-5180
CA:STO:Jennifer Bigelow:FAX:530-792-5555
FL:STO:Debbie:FAX:352-379-4580
GA:STO:Jeannia Satcher:FAX:706-546-2014
KS:STO:John Drach:FAX:785-537-9659
LA:STO:Gerard Labbe:FAX:318-473-7735
MS:STO:Ricky Carnagie:FAX:601-965-4184
MO:STO:Maureen Long:FAX:573-876-0935
NC:STO:Ralph Price:FAX:919-875-4825
NM:STO:Mark:FAX:505-766-1805
OK:STO:Harold Dick:FAX:405-742-1177
SC:STO:Mack Eubanks:FAX:803-806-3839
TN:STO:FSASpecialist:FAX:615-736-7801
TX:STO:Darren Owens:FAX:979-680-5235
VA:STO:Brent Whitlock:FAX:804-287-1723

FSA:PSD:CPPB:TWilliams:720-2270:4-24-03:rg:LP#2-1:PSD-03203

COTTON ACREAGE CONTRACT

Purchase #:

PAUL REINHART, INC., 709 North Glenville, Suite #301, Richardson, Dallas County, Texas 75081-0538.
 Buyer, and _____, whose address is _____ Seller agree:

1. **ACREAGE:** Buyer will purchase and seller will produce, sell and deliver the cotton production during the 2003/2004 crop year on the acreage described as follows:

ASCS Farm Number	County	Specify Irrigated or Dryland	Seed Variety (If required)	Acres Planted to Cotton	Percent of acres Contracted	Contracted Acres	Seller's Estimate of Number of Bales to be delivered
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total:				_____	_____	_____	_____

If landlord's or other share is excluded from the contract, only contracted share should be shown as Contracted Acres and the delivered cotton shall be equivalent in yield per acre, quality and ginning dates to production from entire farm. For example; If only 50% of production is contracted, Seller will deliver first, third and every other bale ginned from farm. Skiprow acreage shall be net acres as measured by ASCS, not gross acres of the field. Seller warrants accuracy of ASCS Farm Numbers shown above. If ASCS Farm Numbers unavailable when contract signed, or if subsequently changed by ASCS, Seller must furnish correct Farm Numbers as soon as available.

2. **GINNING/WAREHOUSING:** Seller will gin the cotton at _____ (Gin) _____ (City) and warehouse the cotton at _____ (Compress) _____ (City). Notwithstanding any other provision of the contract, including price terms, Buyer will not pay for or provide any transportation or other thing of value, nor advance any part of purchase price, before Seller's delivery of the cotton to Buyer.

3. **PRICE:** Buyer will pay Seller, or ginner or other agent invoicing for Seller, the following prices at the above named warehouse, original compress net weights, based on original USDA official government class:

A. PRICE AND TERMS:

SEE ADDENDUM

The price for below grades is: _____

4. **WEIGHT PENALTIES:** Bales weighing less than 330 lbs. or more than 600 lbs. net weight will not be deliverable: Below 330 lbs./\$ _____; 330-379 lbs./\$ N/A; 551-575 lbs./\$ N/A; above 600 lbs./\$ _____.

5. **TIME FOR DELIVERY:** Cotton delivered later than 21st day after date of original U.S.D.A. class will be discounted N/A cents per pound. Date stamped on class card will govern. Cotton delivered after N/A will be discounted N/A cents per pound. Buyer, at its option, may reject cotton delivered after January 1st, 2004. Delivery date is date Seller delivers warehouse receipts with class cards to buyer.

6. **GENERAL:** Both parties have carefully read and fully understand the terms and provisions of the foregoing contract which, together with those paragraphs on the reverse side, represent the entire agreement between the parties, and further understand that there may be no modification of this contract except in writing signed by an officer of Buyer at its home office at the address shown herein for the place of performance. Authority of Buyer's agent to make this contract should not be taken as evidence that such agent has authority to modify this contract or to bind Buyer to any other purchase of cotton in this or any other growing season.

**TIME IS OF THE ESSENCE IN THE PERFORMANCE OF THIS CONTRACT
 PARAGRAPHS 7 THROUGH 23 OF THE REVERSE SIDE
 CONSTITUTE A PART OF THIS AGREEMENT.**

SIGNED THIS _____ DAY OF _____, 20____ PAUL REINHART, INC., BUYER

SELLER _____

WITNESS

WITNESS

7. ALL INTEREST COVERED: This contract covers 100% of the cotton produced on the described acreage, including the shares and interests of all landlords, owners, operators, tenants, partners, lien holders and secured parties, except for such shares as are expressly excluded. Seller warrants and represents that this contract is made with the full knowledge, consent and authority of the landowner and all other interested parties. Seller agrees to indemnify and hold Buyer harmless from all loss, damage and expense, including reasonable attorneys fees, suffered by Buyer, by reason of Seller's execution of the contract without authority, or failure to account to any interested party, or failure to pay and discharge any lien or security interest or by reason of Seller's sale or contract to sell the cotton to any party other than Buyer.

8. OMITTED PRICE: The parties intend that the specified prices apply to all contracted cotton. In the event of an omission to specify a price for any bale of cotton, the price for such bale shall be a reasonable price based on its grade, staple and micronaire and commensurate with the expressed contract prices and with the market price existing at the time of execution of the contract. It is not the intent of the parties to leave the price open on any cotton, nor to provide for payment based on market price at time of delivery, not to exclude any cotton from the contract because of failure to specify a price.

9. AUTHORITY: If Seller is a partnership, joint venture or corporation, the person signing for such party warrants his authority to execute this contract and to convey the cotton specified.

10. OVERPLANT: Seller warrants and represents that the total number of contracted acres shown in paragraph 1 is the correct number of acres planted or to be planted to cotton under this contract. If, however, more acreage is actually planted than specified, Seller must notify Buyer of the number of overplant acres within 14 days after planting. Buyer shall have the option, but is not obligated, to purchase all of or any part of the overplant production at market price.

11. ACREAGE DECREASE: Seller agrees to plant, cultivate and harvest cotton on the entire number of acres specified in Paragraph 1 unless prevented by weather conditions beyond Seller's control. If necessary, Seller must replant, unless replanting is not practicable due to time of season. If Seller anticipates any decrease in harvestable acreage from the total number of acres specified in Paragraph 1, Seller must notify Buyer in writing at its home office of the amount of the decrease and the reason therefore within 14 days of the occurrence causing the decrease. Failure to give such notification will obligate Seller to indemnify Buyer for its market loss damages suffered as a result of lack of knowledge of the decrease. No alternative crop may be planted on the contracted acreage unless U.S.D.A. certifies crop to be total disaster. In event of decrease, if Seller has other uncontracted acres, Seller will offer Buyer right to have equivalent number of acres substituted under this contract.

12. FARMING METHODS: Cotton must be spindle picked. No cotton shall be harvested in a wet condition, or be manually or mechanically picked up off the ground. Seller will practice normal, good farming methods in the production and harvesting of the crop. Seller must harvest, gin and deliver the cotton as fast as practicable after maturity.

13. CROP INFORMATION: Upon Buyer's written request, Seller must within 5 days inform Buyer in writing as to the numbers of acres planted, numbers of acres standing, condition of the crop and estimated number of bales to be delivered under the contract. The growing crop in all conditions shall be accessible to field men of Buyer, who may enter fields at any time to inspect the crop.

14. DATA INSPECTION: Seller hereby authorizes Buyer to inspect all data in possession of U.S.D.A. or any gins, warehouses or compresses concerning the crop year and the acreage described herein. Seller further agrees that this contract or a photo static copy hereof will authorize any ASCS office or gin, compress, or warehouse to release this information to Buyer or its representative.

15. GINNING: All cotton must be packaged in bagging and ties approved by the Joint Bale Packaging Committee of The National Cotton Council. Buyer, at its option, may refuse to accept any bale of cotton that is false-packed, water-packed, repacked, re-ginned, oily, fire damaged or that includes cotton that was picked off the ground or picked in a wet condition. Bypass of normal ginning equipment shall not be allowed. The Seller agrees to use all reasonable efforts to protect the cotton deliverable under this Contract from damage caused by exposure to the weather or other damage from the time the cotton is harvested to the time it is delivered to the warehouse.

16. PLACE OF PERFORMANCE: Seller will deliver negotiable warehouse receipts with class cards to Buyer's office at the address and in the county shown in the top line of the front page of this contract, where payment is to be made and where all obligations of this contract are performable and enforceable by both parties.

17. SUBSIDY PAYMENTS: As between the parties, Seller, not Buyer, is entitled to Loan Deficiency Payment, if any. Buyer, not Seller, is entitled to First Handler Payment, if any. This contract is not conditioned on Seller's entitlement to any U.S.D.A. Loan Deficiency Payment, cotton allotment or subsidy payment, whether in cash or in kind. Seller's obligations to plant, cultivate, harvest and deliver, together with all other obligations under this contract, shall not be decreased or increased on account of any transfer, loss, decrease or increase of any cotton allotment or any entitlement to any subsidy payment.

18. REMEDIES: It is agreed that irreparable harm may be suffered by either party in case of nonperformance of this contract and that either party shall be entitled to obtain specific performance in the event of repudiation or failure or refusal of performance by the other party. The aggrieved party shall be entitled to temporarily and permanently enjoin violation of this contract. However, this paragraph shall not be taken to limit the right of a party to recover damages. Filing of suit or alternative relief shall not constitute an election of remedies, and a party may in a proper case recover specific performance of a part of the contract and damages for that part which the other party has failed or is unable to perform.

19. COVER: In the event of repudiation or failure of performance by Seller, followed by Buyer's procurement of substitute cotton as "cover," it is agreed by and between the parties that any contract or purchase by Buyer in "covering" that occurs within 30 days after learning of Seller's breach or within 30 days after the expected time of delivery under the contract, whichever is later, shall be considered made without unreasonable delay on the part of Buyer in effecting cover. This paragraph shall not limit Buyer's rights to elect to recover market price damages.

20. HEIRS/SUCCESSORS/ASSIGNS: This agreement is binding on heirs, successors and assigns and runs with the land. Buyer may assign rights and delegate performance under this agreement. Buyer may execute this agreement as agent for an undisclosed principal. Such succession, assignment or agency shall not relieve any party of any duty to perform or liability for breach.

21. JURISDICTION: This contract is made and accepted in the State of Texas and shall be governed by the Laws of the State of Texas. The parties agree to submit to the jurisdiction of the State of Texas, with any non-resident party hereby agreeing that service of process upon the Secretary of State of Texas shall be sufficient to establish personal jurisdiction.

22. ARBITRATION: Any dispute or controversy relating to this contract or its breach will be settled by binding arbitration under the Rules of the Texas Cotton Association.

23. ATTORNEYS FEES: Failure of either party to perform this contract shall entitle the other party to reasonable attorneys fees and costs of arbitration and litigation necessarily expended in connection with enforcement.

24. T.C.A. RULES: This contract is governed by Texas Cotton Association Trade Rules, except where in conflict with an express provision of the contract.

**ADDENDUM
2003/2004 CROP CONTRACT**

TERMS: 400 Off 2003 NY December Futures, Sellers Call,
Memphis Cotton Exchange Rule #5.

Basis 41 color, 4 leaf, 34 staple with 2003 Government Loan Differences to apply to all
qualities except:

- 1) No premium paid for 34 and longer staple or 31 and better grades.
- 2) No premium paid for micronaire (3.7 - 4.2).
- 3) 2003-2004 strength premiums and discounts to apply.
- 4) No premium paid for cotton that has leaf better than color.
- 5) Prior to first notice day of NY December Futures, seller may roll unpriced
cotton to March 2004 NYK at market differences, plus 10 points, as long
as the roll does not improve the basis to the seller. Seller to maintain
600 points margin for cotton invoiced but not fixed.

NOTE: This is a total production contract, the seller, when possible should price
100 acre increments or more.

OR:

Grower has option to place cotton into CCC Loan and deliver 805's promptly.
Seller must declare to exercise this option by September 30, 2003. After
September 30, 2003 seller may only place cotton into CCC Loan at buyers
option. The price agreed upon for the loan option is 4 cents per pound.

SELLER _____

BUYER Paul Reinhart, Inc.

BY _____

BY _____

WITNESS _____

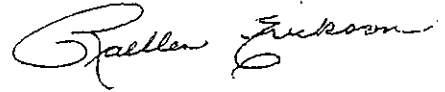
WITNESS _____

Contract # _____

APR 24 2003

TO: J. Kenneth Rentiers, Jr.
SED, South Carolina State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division



SUBJECT: Eastern Trading Cotton Company Contract - Your April 8 FAX

We have reviewed the contract titled "Eastern Trading Company Sale and Purchasing Agreement" that was submitted on behalf of Eastern Trading Company. The intent of our review of the contract was to determine whether the seller retains beneficial interest in the cotton, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the cotton when the cotton is redeemed from CCC loan, provided such cotton is pledged as collateral for a CCC marketing assistance loan.

If the cotton is not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the cotton the earlier of the date:

- the cotton is delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the cotton is invoiced, or
- any payment is received for purchase of the cotton.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

EASTERN TRADING COMPANY SALE AND PURCHASING AGREEMENT

Contract No: «Contract#»

THIS CONTRACT made and entered into as of the «day» day of «month», 2003,
Between Eastern Trading Company, P. O. Box 3846, Greenville, SC 29608 called
"BUYER" and

<u>«First Name» «Last Name»</u>	<u>SSN: «SSN»</u>
<u>«Address»</u>	<u>PHONE: «Phone»</u>
<u>«City» «State» «Postal Code»</u>	

called "SELLER"

-WITNESSETH-

IN CONSIDERATION of the mutual promises and obligations contained herein, sufficiency
Of which is acknowledged, the parties agree as follows:

I. METHOD AND PLACE OF DELIVERY

On the terms and conditions and at the price set forth below, Seller hereby agrees to deliver and Buyer hereby
purchases and agrees to take delivery of all the bales of acceptable cotton produced during the crop year 2003
on «acres» acres situated in the State of South Carolina more fully described below:

<u>FARM SERIAL #</u>	<u>LOCATION-COUNTY</u>	<u>ACRES</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

IF LANDLORD'S SALE SHARE IS NOT INCLUDED IN THIS CONTRACT, ONLY TENANT'S SHARE
SHOULD BE SHOWN ABOVE.

If ~~the~~ Farm Numbers are not available at the time of execution of this contract by Seller, or if Farm Numbers are
changed, Seller agrees to furnish Farm Numbers and other related information immediately upon Farm Numbers being
determined. Seller is responsible for accuracy of Farm Numbers and represents that each farm listed will be or has
been planted with the number of acres of cotton listed.

Cotton covered under this contract is to be ginned at: «ginned»

Cotton to be delivered as UD Bales.

Any cotton not delivered by January 15, 2004 will be discounted 200 points.

50 Acres
2003 crop

II. PRICE

1. This cotton is purchased on call at ~~30 points~~ points off ~~of future~~ FUTURES. BASED ON 41 Grade and better and 34 Staple and better and 4 Leaf and better with 3.5 - 4.9 micronaire. Any cotton below these grades and staples and outside this micronaire range are discount by 2003 Government Loan Differences. Government discounts to be applied for strength (GPT). No premium paid for leaf grade that is better than its respective color grade.
2. 50 percent of projected yield may be fixed in pounds before October 1st. The remainder must be fixed by First Notice Day December 2003 N. Y. Futures.
3. ~~3000~~ pounds fixed at the time of contract at ~~30~~ cents per pound.
4. The delivery terms of this contract are FOB Warehouse.
5. All grass and bark discounted at 2003 Loan Differences.
6. Buyer has option of purchasing out of grade bales at current market value.
7. Total Yield: ~~3000~~
8. Grade 32-32-1 will be discounted at 100 points below SLM basis.
9. Seller must notify Eastern Trading Company if all or a portion of intended acres are not planted by June 15, 2003.

III. METHOD OF PAYMENT

Seller agrees to invoice the cotton as follows: minimum 30 % within 15 days of when government classing received; another 30 % within 30 days and final 40 % within 45 days of when government classing received. Cotton is to be invoiced on warehouse receipts; net weights with Eastern Trading Company cover sheet attached. Seller agrees to pay all cotton research and promotion fees, all warehouse-receiving fees, and storage paid through the date of invoice.

On Call-Paid Provisional: In the event the market drops below provisional price paid + basis +300 points, Eastern Trading Company has the right to call for margin. If not received by the next trading day, Eastern Trading Company may close out cotton paid at a provisional price.

On cotton covered by this contract, one set of samples is to be sent at Seller's expense, to USDA classing office. for Smith-Doxey classification and one set to be held for buyer's disposition. The original USDA class shall be final.

SC Acres
2003 crop**IV. MISCELLANEOUS
LIENS OR PRIOR INTEREST:**

Seller represents and warrants that the following and only the following liens or prior interest (landlord's lien, landlord's crop share in bales, landlord's crop share in money, PCA, blank prior crop contracts, etc.) are in effect against the contracted bales, to wit:

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(Name) (Address) (Nature of Lien or Prior Interest)

Unless filled in, Seller warrants there are NONE. Seller warrants that he will satisfy all liens from Buyer's payment for the cotton. If Seller's contracted bales are subject to a crop share in bales lease with his landlord, Seller should have his landlord join in signing contract for Seller's protection, or limit amount in Part I, paragraph 1 to tenant's share, inasmuch as Seller absolutely warrants delivery to Buyer of the bales described in Part I, paragraph 1.

GENERAL TERMS INCORPORATED: This contract includes all of the General Terms set out on Page one through three of this Contract. BOTH PARTIES HAVE CAREFULLY READ AND FULLY UNDERSTAND THE TERMS AND PROVISIONS CONTAINED IN THIS CONTRACT, WHICH REPRESENTS THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND FURTHER UNDERSTAND THAT THERE MAY BE NO MODIFICATION OR RECISSION OF THIS CONTRACT EXCEPT IN WRITING. TIME IS DEEMED TO BE OF THE ESSENCE IN THE PERFORMANCE OF THIS CONTRACT.

WITNESS:

SELLER

WITNESS:

EASTERN TRADING COMPANY
P.O. BOX 3848
GREENVILLE, SC 29608
(800) 829-9799

OK Notice LP(GR)-1682

Exhibit 1

SC Acres
2005 crop

GENERAL TERMS

Acceptable Cotton: shall be deemed to be all and only the cotton produced on said acres that is hand or conventional spindle picked (unless mutually agreed upon before harvest), except false packed, water packed, repacked, reginned, seedy or oily cotton. The original USDA official Smith-Doxey Class shall be final. All acceptable cotton must be packed in bagging and ties approved by the Joint Industry Committee on Bale Packing.

Sellers Obligation to Plant, Harvest, and Deliver: Seller agrees to plant cotton and replant as necessary on all of the contracted acres. No alternative crops may be planted on this acreage unless U.S. Government certifies the cotton crop a total disaster. Seller agrees to practice normal, good farming methods in the production and harvesting of the crop, to see that the cotton is chemically or naturally defoliated before machine harvesting and to harvest and gin in a normal manner and deliver as quickly as practicable after maturing. Buyer may specify, within reason, the amount of heat and cleaning equipment to be used in ginning the cotton. Seller agrees to use all responsible efforts to protect the cotton from damage by exposure or any other cause from the time it is harvested to the time it is delivered to the warehouse.

Skiprow Acres: Skiprow acreage shall be net acres as measured by ASCS, not gross acres of fields.

Authority of Contract: If any party is a partnership, tenant-in-common, landlord, life tenant, joint tenant or corporation, or other principal, the person signing for such party warrants his authority to execute this contract and to sell all cotton specified herein.

Successors and Assigns: This contract shall be binding on each party's successors and assigns and shall run with the land. In the event the Buyer assigns this contract, the Buyer nevertheless remains fully obligated under this contract.

Samples: One set of samples is to be taken before cotton is stored and sent, transportation charges collect, to Buyer or person designated by him.

Authorization to Inspect Record: Seller hereby authorizes Buyer to inspect all data that Seller has supplied or will supply to any gin, warehouse or ASCS office, concerning Seller's cotton crop. Such gin, warehouse, or ASCS office is hereby directed by Seller to release such information to Buyer or its representative.

Taxes: Seller shall be responsible for severance taxes and all other taxes and levies of any kind imposed upon, measured by or on account of the cotton or its value until it enters interstate commerce.

Severability: If any part of this contract is determined to be illegal, that portion so determined, will be deleted from the contract and the remainder of the contract will be enforced.

The Equal Opportunity clause set forth in 41 C.F.R. 560-1.4 (a) and the Affirmative Action clauses for Disabled Veterans for the Vietnam Era and for the Handicapped set forth in 41 C.F.R. 560-250.4 and 560-741.4 are incorporated by reference as part of this contract.

MAR - 3 2003

Mr. Grady Martin
Plains Cotton Cooperative Association
P.O. Box 2827
Lubbock, Texas 77542

Dear Mr. Martin:

In response to your January 20, 2003, request, we have reviewed the contract titled "Loan Eligible Crop Contract" that was submitted on behalf of Plains Cotton Cooperative Association. The intent of our review was to determine whether the seller retains beneficial interest in the cotton, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

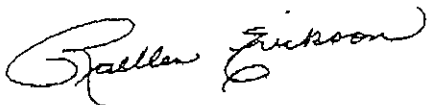
Producers entering into this contract would be considered to have lost beneficial interest in the cotton when the cotton is redeemed from CCC loan, provided such cotton is pledged as collateral for a CCC marketing assistance loan.

If the cotton is not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the cotton the earlier of the date:

- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the cotton is invoiced, or
- any payment is received for purchase of the cotton.

If you have any questions, please contact Tom Williams in Price Support Division at (202) 720-2270.

Sincerely,



Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division

6-20-03

GIN CODE _____ CROP YEAR _____ LOAN ELIGIBLE CROP CONTRACT NO. _____

Contract Farm Number			COTTON CONTRACTED ON FARM		
State	County	Farm			
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <input type="checkbox"/> Every bale -OR- <input type="checkbox"/> Every other bale of the following cotton contracted to be delivered </div> <div style="width: 50%;"> <p>under this contract which is now growing, or to be grown on the Contract Farm during the crop year is subject to this contract unless specifically excluded. The names and addresses of all producers, landlords and other persons owning any interest in any cotton now growing, or to be grown on the Contract Farm during this crop year and whether such cotton is to be excluded from this contract are warranted by each of the undersigned producers to be as follows: (Attach List, if Necessary)</p> </div> </div>					
Social Security No.		%	Social Security No.		%
Interest Owned			Interest Owned		
Producer Name			Landlord Name		
Street or Box No.			Street or Box No.		
City	State	Zip	City	State	Zip
<input type="checkbox"/> CONTRACTED OR EXCLUDED <input type="checkbox"/>			<input type="checkbox"/> CONTRACTED OR EXCLUDED <input type="checkbox"/>		
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <input type="checkbox"/> Every bale -OR- <input type="checkbox"/> Every other bale of the following cotton contracted to be delivered </div> <div style="width: 50%;"> <p>under this contract which is now growing, or to be grown on the Contract Farm during the crop year is subject to this contract unless specifically excluded. The names and addresses of all producers, landlords and other persons owning any interest in any cotton now growing, or to be grown on the Contract Farm during this crop year and whether such cotton is to be excluded from this contract are warranted by each of the undersigned producers to be as follows: (Attach List, if Necessary)</p> </div> </div>					
Social Security No.		%	Social Security No.		%
Interest Owned			Interest Owned		
Other Persons Name			Landlord Name		
Street or Box No.			Street or Box No.		
City	State	Zip	City	State	Zip
<input type="checkbox"/> CONTRACTED OR EXCLUDED <input type="checkbox"/>			<input type="checkbox"/> CONTRACTED OR EXCLUDED <input type="checkbox"/>		

PLANTING INTENTIONS				
Cotton plantings on the Contract Farm are, or will be, as follows:				
No. of Acres	Irrigated or Dryland	Seed Variety	Planting Date (If Planted)	Harvesting Methods
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
TOTAL ACRES OF COTTON ON FARM (Net Acres, if Skiprowed) (See Paragraph 14 for terms covering increases or decreases in acreage)				ASCS Projected Yield (For Information Only)

GINNING AND WAREHOUSING			
The Cotton to be delivered under this contract will be Ginned and Stored as follows:			
To Be Ginned At: (the "GIN")	Gln Code	PCCA Account Number	To Be Stored At:

LIENHOLDERS
 The Cotton to be delivered under this contract will be Free and Clear of all Liens, Except to the Following Lending Agencies or Individuals:
 (If None, Write "NONE") _____

LOAN ELIGIBLE CROP CONTRACT PRICES

See PCCA Loan Eligible Crop Contract Supplement Schedule: _____ Premium or Discount per pound: _____
 (See Paragraph 8 for charges and deductions)

TERMS AND CONDITIONS

THIS CONTRACT CONSISTS OF THE TERMS AND CONDITIONS HEREON, THE PROVISIONS PRINTED ON THE BACK AND THE LOAN ELIGIBLE CROP CONTRACT SUPPLEMENT WHICH IS INCORPORATED HEREIN FOR ALL PURPOSES.

Executed _____, 20 ____ This contract may be voided at the option of PCCA if producer does not sign and return to PCCA's office at Lubbock, TX within 5 days after date.

THIS CONTRACT IS THE ENTIRE AGREEMENT OF THE PARTIES RELATED TO THE CONTRACTING OF COTTON TO BE GROWN ON THE CONTRACT FARM DURING THE CROP YEAR AND NO VERBAL COMMITMENT OR REPRESENTATIONS MAY CHANGE OR VARY THIS CONTRACT IN ANY RESPECT. EACH PRODUCER THAT SIGNS THIS AGREEMENT BINDS HIS COTTON (AND THE COTTON OF EVERY PRODUCER FOR WHOM HE ACTS AS AGENT) FOR DELIVERY UNDER TERMS OF THIS CONTRACT EVEN THOUGH OTHER PRODUCERS MAY NOT SIGN THE SAME.

PLAINS COTTON COOPERATIVE ASSOCIATION

Producer (GROWER)

Joint Producer (GROWER)

Joint Producer (GROWER)

By: _____

PCCA LOAN ELIGIBLE CROP CONTRACT STANDARD TERMS AND CONDITIONS

1. **Agreement to Sell.** Producer hereby agrees to sell to Plains Cotton Cooperative Association ("PCCA") all lint cotton contracted at the price and upon the other terms and conditions as set forth in this contract.
2. **Warranty of Title.** Producer warrants that he is the owner of all cotton to be delivered to PCCA, that he is the owner or lessee of the land on which it is grown, and that all landlords, lessors or other persons owning any interest in all cotton to be delivered to PCCA have jointly executed, or have authorized in writing the execution of this agreement. Producer warrants that the cotton delivered under this contract will be "eligible cotton" and that each producer is an "eligible producer" as required for PCCA to place the cotton in CCC Form G Loan, collect loan deficiency payments and otherwise realize upon governmental benefits as may be available to eligible producers for eligible cotton under CCC regulations.
3. **Liens and Encumbrances.** Producer warrants that he has not sold, or contracted to sell, the cotton to be delivered to PCCA and that it will be free and clear of crop mortgages, liens and encumbrances except as shown. Payments due Producer may be made to lienholders or jointly to them and Producer to the extent of their liens.
4. **Risk of Loss.** Until delivery of insured negotiable warehouse receipts or electronic passage of title to PCCA at Lubbock, Texas, all risk of loss or damage to the cotton to be delivered shall be in Producer. PCCA is subrogated to any rights of Producer to recover for any loss or damage to cotton to be delivered to PCCA in excess of the agreed prices.
5. **Care of Crop, Harvesting and Ginning.** Producer shall plant and produce the cotton to be delivered as agreed and harvest it in the manner stated as promptly as possible after maturity, using good husbandry in his operations. Failure to plant, produce and harvest in that manner shall not excuse Producer from delivering to PCCA all cotton to be delivered from the contracted farm, however, PCCA shall be entitled to any damages caused by such failure. Producers shall have the cotton ginned at the designated gin, or a gin mutually agreed upon, as promptly as possible during harvest in the normal and customary manner without bypassing gin cleaning equipment. The cotton must be packaged in bagging and ties approved by the Joint Industry Committee on Bale Packaging unless otherwise agreed, in writing. PCCA shall not be liable to Producer for advice gratuitously given by it. Samples shall be delivered at Producer's expense to the proper USDA classing office.
6. **Delivery. TIME IS OF THE ESSENCE OF THIS AGREEMENT.** All lint cotton to be delivered shall be delivered at Producer's expense promptly after ginning to the compress or warehouse named herein or to storage facilities mutually agreed upon. Producer hereby authorizes the gin where the cotton is ginned to provide information and instructions on behalf of Producer to PCCA, to the ewr Providers and others and to deliver title and possession of such cotton and the warehouse receipts, whether paper or electronic, covering the cotton as requested by PCCA, to PCCA or to PCCA's nominee. Producer authorizes the title to be held by the gin for delivery under this Agreement to PCCA at Lubbock, Texas, without delivery to Producer's possession or custody.
7. **Warranty of Deliveries.** Producer warrants that he shall not deliver, or attempt to deliver, under this Agreement any cotton other than the cotton covered by this Agreement. If a proportionate part of the cotton from the contracted farm is to be delivered herein, the cotton delivered to PCCA shall be representative of all the cotton produced on the farm. If every other bale is to be delivered, bales shall be selected in the order they were ginned. If Producer breaches this warranty, PCCA at its election shall be relieved of any obligation to accept the cotton to be delivered and Producer shall be liable to PCCA for all damages caused it by such breach.
8. **Payment to Producer, Except as otherwise agreed in writing.** PCCA shall pay to Producer the agreed price at Lubbock, Texas, upon receipt by PCCA of title and possession of the cotton, the warehouse receipts and other cotton documents, free and clear of all liens and claims.
9. **Records.** Producer agrees to make available and authorizes the inspection by PCCA of all records relating to the production, transportation, weighing, ginning, classing, warehousing and sale of cotton produced on the contracted farm and on all other farms of Producer, including the County FSA office, FCIC and multi-peril insurance records.
10. **Classing and Grading User Fee to be Paid by Producer.** The classing and grading of the cotton to be delivered shall be performed by the proper USDA classing office. If any fee is charged for classing service, it will be paid by the Producer.
11. **Notices.** Any notice or demand hereunder may be given by United States mail, registered or certified and addressed to the party to whom directed or by delivery to the gin through which this contract was made. Producer acknowledges the authority of the gin through which this contract was made as his agent for communications with PCCA and for receiving notices, demands, agreements and other documents relating to this contract for him.
12. **Waiver of Modification.** No failure or omission by either party to insist upon or enforce any of the terms hereof shall be deemed a waiver. No representative or agent of PCCA has authority to waive or modify any terms or conditions hereof except by agreement in writing.
13. **Damages.** Failure of Producer to deliver the cotton to be delivered will result in irreparable injury and damages to PCCA which will be difficult to determine. It is therefore agreed that either party or their assignee shall be entitled to specific performance of this Agreement in the event of breach or anticipatory breach by the other party, including temporary and permanent injunctions. It is further agreed that Producer shall pay to PCCA for all cotton to be delivered under this contract which is not delivered to PCCA at its office in Lubbock, Texas, the sum of \$100.00 per bale pursuant to this agreement as agreed liquidated damage for breach of contract. Producer agrees to pay all costs, premiums for bonds, expenses and fees, including attorney's fees in the event legal action is brought because of his breach or anticipatory breach of this Agreement.
14. **Increase or Decrease of Acreage.** If Producer's harvestable acreage does not exceed the stated planting intentions by more than 10%, the contract price shall apply on the total production of cotton subject this Agreement. In the event Producer's harvestable cotton acreage exceeds the stated planting intentions by more than 10%, Producer agrees to notify PCCA in writing immediately of any increase in planted acreage on the contracted farm. PCCA shall have the right of first refusal to purchase all, or any part, of the pro rata production of cotton from harvested acreage in excess of 110% of Producer's stated planting intentions at a negotiated price. If PCCA fails to exercise this right within (3) days following receipt of such notification, this right shall automatically expire and the pro rata production from such increased acreage shall be marketed through The Seam but shall not be covered or delivered on this contract. All cotton produced on the contracted farm, whether to be delivered to PCCA or sold to other buyers, shall be marketed by Producer through The Seam marketing service. If Producer anticipates any decrease in harvestable acreage at any time between planting time and delivery, Producer shall notify PCCA of the amount of the decrease and the reason therefore within two weeks of the occurrence causing the decrease.
15. **Marketing Agreement.** Following the passage of title from Producer to PCCA, the terms of the Marketing, Processing, Storage and Compression Agreement between Producer and the Association, and the related Loan Advance Marketing Agreement Supplement (the "Marketing Agreement") will apply to the marketing of such cotton for Producer by PCCA. The PCCA account number shown for this contracted farm number corresponds to the account number and farm number shown on Producer's aforementioned marketing agreement and loan advance supplement with PCCA. It is understood and agreed by and between the parties hereto that PCCA is an approved marketing cooperative on eligible cotton delivered to it by eligible members of the Cooperative executed on Form CCC-Cotton G, Cotton Cooperative Loan Agreement. For the purposes of this Agreement the term "Producer" includes PCCA as defined in 7 C.F.R. § 1427.1. It is further agreed by and between the parties that notwithstanding any other provisions of this Agreement, or any action taken by either the Producer who delivered the cotton to PCCA or PCCA itself, that the beneficial interest in the cotton will always be in the producer/member who delivered the cotton to PCCA or PCCA itself as otherwise provided in 7 C.F.R. § 1427.4 (ii).
16. **General.** This contract is assignable, is binding on the personal representatives, heirs, successors and assigns of the parties, shall run with the land or any lease thereof, is to be performed in Lubbock County, Texas, and shall be governed by the laws of the State of Texas.

2003 Peanut Contracts

Crop Year 2003 Beneficial Interest Determinations of Peanut Contracts:

- **Wilco Peanut Company** – Option to Purchase Farmer Stock Peanuts - May 21, 2003
- **Clint Williams Company** – Option to Contract to Purchase Peanut Seed Production – May 12, 2003
- **John B. Sanfilippo and Son, Inc. (JBS)** – Option Agreement to Purchase Loan Peanuts – May 5, 2003
- **Dover Peanut Company, Inc.** – Letter to Producers under an Option to Purchase Farmer Stock Peanuts Contract with Golden Peanut Company – April 24, 2003
- **Clint Williams Peanut Company** – Handler and Producer Contract for Future Purchase of Peanuts with Right of First Refusal – April 9, 2003
- **Southern Peanut Company, Inc.** – 2003 Farmers Stock Purchase Option and Gentleman's Understanding – March 31, 2003
- **Morven Partners, L.P. (Morven)** – Option for Purchase of Farmer Stock Peanuts – March 27, 2003
- **Golden Peanut Company** – Contract for Purchase and Sale of Farmer Stock Peanuts – STO distributed on March 20, 2003
- **Tom' Foods Inc.** – Option to Purchase – STO distributed on March 20, 2003
- **Severn Peanut Company, Inc.** – Option for Purchase of Farmer Stock Peanuts, Contract for Purchase and Sale of Farmer Stock Peanuts, and Option for Purchase of Farmer Stock Peanuts (with Put Option) – STO distributed on March 20, 2003
- **Southern Peanut Company, Inc.** – 2003 Farmer Stock Purchase Option Contract – March 3, 2003
- **Birdsong Peanut Company** – Option Agreement to Purchase 2003 Crop Peanuts – February 25, 2003

- **Golden Peanut Company** – Option for Purchase of Farmer Stock Peanuts – February 20, 2003
- **Collins Bonded Warehouse, Inc.** – Contract for Option to Purchase Peanuts – December 13, 2002
- **Sessions Peanut Company, Inc.** – Contract for Purchase, Sale, Receipt, Storage, Handling, and Delivery of Farmer Stock Peanuts for 2002 Crop (Handler Agreement) and the Amendment 6 Agreement – December 13, 2002
- **Jimbo's Jumbos Peanuts (JJP) and Golden Peanut Company** – Contracts for Purchase of Farmer Stock Peanuts – November 8, 2002
- **Cross Road Peanut Company** (buying for Golden Peanut Company) – Contract for Purchase and Sale of Farmer Stock Peanuts – August 20, 2002
- **Wilco Peanut Company** – Option to Purchase Farmer Stock Peanuts – August 8, 2002.

MAY 21 2003

Mr. Joseph Warnken
Wilco Peanut Company
P.O. Box Drawer B
Pleasanton, Texas 78064

Dear Mr. Warnken:

We have reviewed the proposed contract titled "Option to Purchase Farmer Stock Peanuts" that was submitted to this office on behalf of Wilco Peanut Company. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

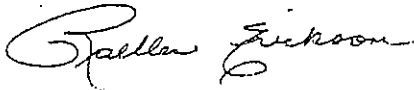
Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- the peanuts are delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

If you have any questions, please contact Toni Williams in Price Support Division at (202) 720-2270.

Sincerely,



Raellen Erickson
Branch Chief, Compliance Policy
and Procedure Branch

Option to Purchase Farmer Stock Peanuts

1) STATE AND COUNTY WHERE PRODUCED:

2) NO:

3) CROP YEAR:

4) NAME OF HANDLER:
WILCO PEANUT CO.
P. O. BOX B

5) NAME OF PRODUCER (S):
PLEASANTON, TX 89064

In exchange for \$_____ per estimated ton producer grants to handler an option to purchase all pounds of _____ Farmer Stock Peanuts produced on Farm Serial No. _____ in _____ County, _____ and/or warehoused peanuts. (Option payment to be adjusted up or down on actual production of peanuts meeting all requirements specified herein)

Quality of Peanuts: The peanuts covered by this option will not exceed the maximum damage, foreign material and moisture requirements for Segregation 1 Farmer Stock as published in the MARKETING AGREEMENT FOR PEANUTS (No. 146) 2001 REGULATIONS AND INSTRUCTIONS In Effect as of July 1, 2001. Freeze damage and yellow pitting damage may not exceed ½ of one per cent combined. The peanuts covered by this Option to Purchase will be free from visible A. flavus mold and will meet any other aflatoxin standard established by the Secretary of Agriculture for peanuts for human consumption.

This option shall be for the 2003 Crop Year only and all rights and obligations of the parties to this option shall be fulfilled from Farmer Stock Peanuts produced in the 2003 Crop Year only.

Notwithstanding any other provision of this option to purchase, title; risk of loss; and beneficial interest in the commodity, as specified in 7 CFR part 1421.6, shall remain with the producer until the buyer exercises this option to purchase the commodity. This option to purchase shall expire, notwithstanding any action or inaction by either the producer or the buyer, at the earlier of: (1) The maturity of any Commodity Credit Corporation loan which is secured by such commodity; (2) the date the Commodity Credit Corporation claims title to such commodity; or (3) such other date as provided in this option.

This option may be exercised by handler at any time beginning immediately after harvest and shall expire not later than May 31, 2004 or a date fixed by (1) or (2) in the paragraph immediately preceding this paragraph.

In the event the handler exercises the Option to Purchase, the purchase price shall be determined using the applicable of the following methods.

If the producer has elected to receive a loan deficiency payment in lieu of the Marketing Assistance Loan, the purchase price shall be calculated as follows:

The Marketing Assistance Loan Price for the lot of peanuts to be delivered by producer less the Loan Deficiency Payment

received (per ton basis) plus \$_____ per ton plus 50% (fifty percent) of the amount of the Loan Deficiency Payment. If the producer is not eligible for a Loan Deficiency Payment or the Loan Deficiency Payment is zero the purchase price shall be the Loan Repayment Price plus \$_____ per ton plus 50% (fifty percent) of the difference between the Marketing Assistance Loan Price and the Loan Repayment Price for the lot of peanuts.

If the producer has elected to place the peanuts covered by this option in CCC storage and receive a Marketing Assistance Loan, the price will be the Loan Repayment Price as established by the Secretary of Agriculture on the date that handler exercises the Option to Purchase plus \$_____ per ton plus 50% of the difference between the Marketing Assistance Loan Price and the Loan Repayment Price for the lot of peanuts.

In the event handler exercises the Option to Purchase and the producer has utilized the Marketing Assistance Loan, the Handler may at his sole option and for the purpose of redeeming the peanuts pledged as collateral for the Marketing Assistance Loan, request the Producer to execute the form FSA-211.

(Continue with signature page)

OPERATOR'S SIGNATURE: The farm Operator's signature below indicates that the Producers whose names are entered in item 5 are Producers of peanuts on the farm identified in paragraph 1 and are authorized to deliver peanuts from such farm or warehouse in accordance with this option.

PRODUCER'S SIGNATURE: The person who has executed this option by signing below as a Producer warrants and represents that such person has full legal power and authority to deliver and sell peanuts covered by this option, and as a Producer, is entitled to share in the proceeds from the sale of the peanuts covered by this option.

OPERATOR'S NAME:

HANDLER OR AUTHORIZED AGENT NAME:
WILCO PEANUT CO. by

ADDRESS:

ADDRESS:
P. O. Drawer B
Pleasanton, Texas 78064

OPERATOR'S SIGNATURE: DATE:

HANDLER OR AUTHORIZED AGENT SIGNATURE:

DATE:

Operator must also sign below as a producer if name is recorded in paragraph 1

PRODUCER'S NAME:

PRODUCER'S NAME:

ADDRESS:

ADDRESS:

PRODUCER'S SIGNATURE:

DATE:

PRODUCER'S SIGNATURE:

DATE:

PRODUCER'S NAME:

PRODUCER'S NAME:

ADDRESS:

ADDRESS:

PRODUCER'S SIGNATURE:

DATE:

PRODUCER'S SIGNATURE:

DATE:

MAY 12 2003

TO: Jim Reese
SED, Oklahoma State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division



SUBJECT: Beneficial Interest Determination - Your April 18 E-MAIL

We have reviewed the contract titled "Option Contract to Purchase Peanut Seed Production" that was submitted on behalf of Clint Williams Company. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- the peanuts are delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

STATE OF _____

OPTION CONTRACT TO PURCHASE PEANUT SEED PRODUCTION

COUNTY OF _____

2003 CROP YEAR

This contract made and entered into this _____ day of _____, 20____, by and between _____, hereinafter described as the Producer, and the CLINT WILLIAMS CO., a division of TEXOMA PEANUT CO., hereinafter described as the Purchaser is for the option to purchase the below specified seed quality peanuts produced in the state, county and farm serial number listed herein. The PRODUCER and PURCHASER agree as follows: PRODUCER is the owner and expects to produce Segregation 1 farmers stock seed quality peanuts, free of freeze damage, more particularly described herein. Clint Williams Company wishes to obtain an exclusive Option to purchase Seed Quality Peanuts, and Producer is willing, for the consideration stated herein, to grant Clint Williams Co. such exclusive Option. Now therefore and in consideration of the sum of \$_____ per net ton, less LSK, of actual harvest production that meets the criteria below, Producer does hereby grant to Clint Williams Co. the exclusive right to purchase the seed quality peanuts by January 31 at Producer's choice of: (1.) The loan repayment rate required to redeem the peanuts that are placed in the CCC loan plus Purchaser's market premium, if any, on the date of redemption, (2.) The contracted price, if contracted, (3.) The loan repayment rate plus Purchaser's spot market premium, if any, on the date of inspection, or (4.) "Right of First Refusal" on said peanuts as specified in section VI. (Whichever would apply)

Farm number	MAXIMUM CONTRACT POUNDAGE	ACRES	TYPE	CLASSIFICATION	VARIETY	FARM NAME OR LEGAL DESCRIPTION

1. The Producer shall plant, cultivate, till, thresh, and properly cure by natural means the peanuts on the real estate herein above described, and comply with the rules and regulations for certifying peanut seed prescribed by the appropriate seed certification agency in the state where seed plants are grown.

IN OKLAHOMA - Oklahoma Crop Improvement Association (OCIA)
Oklahoma State University, Stillwater, Okla.

IN TEXAS - Texas Department of Agriculture (TDA), Austin, Texas

The rules of the above state seed certification agencies (OCIA) and (TDA) concerning peanut seed certifications are incorporated herein and made a part hereof to the same extent as if the same were spelled out at length herein.

Failure of Producer to comply with the rules and regulations for certifying peanut seed prescribed by either state agency or any willful or unwillful act on the part of the Producer which prevents the peanut from said above mentioned acreage to be classified as certified peanut seed releases the Purchaser of the obligation specified in Section V. of this contract.

2. The inspector for the OCIA or TDA shall have the right to enter into and upon the lands herein above described at any reasonable time to make inspection of the crop as it is being grown and/or harvested.

It is agreed that the grade determination of the threshed peanuts from the above described real estate shall be made by the Oklahoma or Texas Federal-State Inspection Service. It is further agreed the Purchaser and/or his agents shall have the right to personally inspect any official grade sample taken from peanuts threshed from the above mentioned acreage.

3. For this contract to be valid the following conditions must be met.

- A. The above described acreage must be planted only with seed purchased from the Purchaser, unless specific consent is obtained from said Purchaser prior to planting.
- B. No acres shall be planted for seed purposes where evidence of significant Sclerotinia Blight Disease infection has been identified in the past.
- C. Producer shall notify Purchaser of the day or time he expects to start digging his peanuts prior to the actual day of digging.
- D. Producer shall not thresh or combine said peanuts after digging until said peanuts have cured in windrows for at least 4 to 6 full days (until peanuts are approximately 17 to 18% moisture content) unless extreme extenuating circumstances prevail and specific prior permission is obtained from Purchaser. If said peanuts are authorized to be dried by a designated C.W. Co. Buying point, Producer shall deliver these peanuts at a moisture content of not less than 14%.

- E. It is agreed that threshed peanuts from the above described acreage will not be purchased until the average moisture content of said peanuts is 9.49% or less as specified by Purchaser. Producer agrees to hold said peanuts from market until this condition is met.
- F. Said peanuts shall not contain in excess of 10% foreign material. However, if peanuts contain more than 10% foreign material and the Producer has exercised reasonable and good harvesting practices and the seed content has not been impaired, the Purchaser, at his discretion, may elect to accept and purchase said peanuts.
- G. It is agreed that said peanuts, if bagged, must be packed in new or once-used burlap bags of good quality of not more than 10-ounce material containing no sisal fabric.
- H. It is understood that no peanuts will be accepted as seed from fields (or portions of fields) where evidence of significant Sclerotinia Blight Disease infection has been identified in the past.
4. It is further agreed that since the purpose of this contract is to produce and have available better peanut seed for Oklahoma and Texas, the Purchaser has the right to refuse as seed, peanuts produced on above described real estate if any of the following conditions exist:
- A. If said peanuts are artificially dried by any mechanical means (without specific prior permission and instructions from Purchaser).
- B. If the grade determination shows that the peanuts contain more than 1% total damage, and if said 1% damage in said peanuts should contain more than 0.5% damage classified as rancid, molded, or decayed.
- C. If grade determination shows that the peanuts contain in any frozen peanuts or any sign of freeze or frost damage to shelled kernels.
- D. If said peanut kernels show darker than usual colored skins or signs of mold or any other signs of the peanuts having gone through heat or sweat.
- E. If said peanuts should show any aflatoxin suspect by visual assay--which automatically diverts such peanuts to Segregation 3 category.
- F. If grade determination or visual inspection of said peanuts show any signs of nut grass seeds, nuts or tubers.
- G. If grade determination shows shelled sample of said peanuts to contain less than 68 TSMK for runners or 63 TSMK for spanish or more than 5% sound splits or general conditions of loose husks or skins for any type.
- H. If said peanut kernels show sprouts (of any length) in excess of 1% which would indicate that the embryo has been impaired.
5. Producer agrees that peanuts contracted herein shall be delivered for storage or purchase to Purchaser's approved buying point location immediately upon harvest. Purchaser shall notify Producer as to: (A.) Immediate exercise of option and purchase of peanuts, and/or (B.) A later exercise date and purchase of peanuts out of loan storage sometime prior to January 31.
- VI. Unless otherwise contracted at the time of the agreement, Producer hereby gives Purchaser a "right of first refusal" with respect to contract or purchase all of the Segregation 1 farmers stock peanuts produced on the above farm within the stated crop harvest season. Producer shall not contract nor sell any such peanuts to a party other than Purchaser without first offering such peanuts to Purchaser at a price not greater and upon terms and conditions not less favorable than those offered in good faith by such other Purchaser. The CCC loan and loan rate does not qualify as an alternate offer. Upon receiving notification from Producer of Producer's better offer, Purchaser shall have a period of no more than two business days in which to meet this offer. If in that time Purchaser cannot meet the better price, terms, and conditions, Producer may proceed to contract or sell such peanuts to such other Purchaser unless Purchaser can later meet this offer on any of Producer's remaining unsold or uncontracted peanuts.
- VII. "Notwithstanding any other provision of this option to purchase, title; risk of loss; and beneficial interest in the commodity, as specified in 7 CFR Part 1421, shall remain with the producer until the buyer exercises this option to purchase the commodity. This option to purchase shall expire, notwithstanding any action or inaction by either the producer or the buyer, at the earlier of: (1) the maturity of any CCC loan which is

secured by such commodity; (2) the date the CCC claims title to such commodity; or (3) such other date as provided in this option" Producer will be responsible for obtaining any and all government payments.

The Producer agrees to deliver all quota and contracted additional seed farmer stock poundage to _____ (city or Town), _____ (State).

Other Provisions:

This contract is signed on a "stand by" basis. If at harvest, Purchaser determines a need for said peanuts, solely at Purchaser's discretion will the option price be paid per the terms of this contract. YES NO
(Circle one)

The Purchaser shall pay any and all expenses incidental to the certification on said peanut acreage by the Okla. Crop Improvement Assoc. or Texas Dept. of Agriculture.

IN WITNESS WHEREOF, the parties hereto have hereunder affixed their hands this the ____ day of ____, 20__.

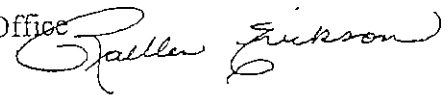
PRODUCER: _____

PURCHASER: THE CLINT WILLIAMS CO., A DIV. OF TEXOMA PEANUT CO.

BY: _____

*Stated payment per net ton, for purposes of this contract, is based on net tons per line "I" on FSA-1007

MAY 5 2003

TO: Keith H. Weatherly
 SED, North Carolina State FSA Office 

FROM: Raellen Erickson, Branch Chief
 Compliance Policy and Procedures Branch
 Price Support Division

SUBJECT: Request for Beneficial Interest Determination on 2003 Peanut Contract -
 Your March 26 FAX

We have reviewed the proposed contract titled "Option Agreement to Purchase Loan Peanuts" that was submitted on behalf of John B. Sanfilippo and Son, Inc. (JBS). The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

We are concerned with Item 4 on the submitted contract which provides that "the seller shall not remove or allow to be removed the Peanuts from the Warehouse." This statement removes the producer's decision making ability; therefore, control of the commodity is no longer with the producer and beneficial interest in the commodity is lost. Also, because the submitted contract is for the 2003 crop year, we suggest that the reference to calendar year 2002 be changed to calendar year 2003.

We also reviewed the proposed agreement titled "Farmer Stock Peanut Purchase and Sale Agreement" that was submitted to this office by JBS. We are concerned with Item 13 on the Farmer Stock Peanut Purchase and Sale Agreement which provides "Handler's Option to Purchase Other Non-contracted Peanuts." The terms in Item 13 removes the producer's decision making ability; therefore, control of the commodity is no longer with the producer and beneficial interest in the commodity is lost.

We also have a concern with Item 26 on the Farmer Stock Peanut Purchase and Sale Agreement Terms and Conditions page. Item 26 states "Beneficial Interest: Seller retains all beneficial interest in the Peanuts until such time as the title to the Peanuts is actually transferred to JBS, warehouse receipts delivered to JBS and full payment of the purchase price is made by JBS. Until that time, Seller retains title to the Peanuts, and risk of loss remains with the Seller." We suggest that the word and be replaced with or since beneficial interest is lost the earlier of any of the above.

The regulation at 7 CFR, Part 1421.6, states, "To be eligible to receive loans and loan deficiency payments, a producer must have beneficial interest in the commodity that is tendered to CCC for a loan or loan deficiency payment. The producer must always have had the beneficial interest in the peanuts...."

Based on our review, the Option Agreement to Purchase Loan Peanuts and the Farmer Stock Peanut Purchase and Sale Agreement as written would cause producers to lose beneficial interest upon signing the above contract or agreement.

Please provide a copy of this determination to JBS and also inform JBS that the contract and agreement can be revised and/or amended and the contract and/or agreement can be resubmitted for another determination; however, any revision and/or amendment must be completed and resubmitted before harvest of the peanuts.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

cc: PSD:DO:4095-S
PSD:TGross:5723-S
PSD:CPPB:4709-S
PSD:CPPB:TWilliams:4089A-S
AL:STO:Joan Grider:FAX 334-279-3550
FL:STO:Debbie:FAX 352-379-4580
GA:STO:Jeannia Satcher:FAX 706-546-2014
LA:STO:Gerard Labbe:FAX:318-473-7735
MS:STO:Ricky Carnegie:FAX:601-965-4184
NC:STO: Ralph Price:FAX 919-875-4825
NM:STO:Mark:FAX 505-766-1805
OK:STO:Harold Dick:FAX:405-742-1177
SC:STO:Mack Eubanks:FAX:803-806-3839
TX:STO:Darren Owens:FAX:979-680-5235
VA:STO:Brent Whitlock:FAX:804-287-1723

FSA:PSD:CPPB:TWilliams:720-2270:4-30-03:rg:LP-2-1:PSD-03224

Rev. 4/2003

OPTION AGREEMENT TO PURCHASE LOAN PEANUTS

This Option Agreement to Purchase Loan Peanuts ("Option") is made this _____ day of _____, 2002 by and between John B. Sanfilippo and Son, Inc. ("JBS"), a Delaware corporation, and the Producer ("Seller") which shall mean one (1) or more sellers as set forth on the Farmer Stock Peanut Purchase and Sale Agreement No. _____ ("Farmer Stock Agreement"), which is attached hereto and is incorporated herein by reference.

WHEREAS, JBS desires to acquire an exclusive option to purchase farmer stock peanuts at the Purchase Date, as hereinafter defined, from the Seller and the Seller desires to give JBS an exclusive option to purchase peanuts at the Purchase Date.

NOW THEREFORE, in consideration for the mutual agreements contained herein and for other good and valuable consideration, the value, receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions:

- a. Peanuts: Shall be those farmer stock peanuts described in the Farmer Stock Agreement which have been grown on the Farm Serial Number indicated thereon; covered by the Warehouse Receipts listed below; and in the quantity set forth below.
- b. Warehouse: Shall be the Commodity Credit Corporation approved peanut warehouse(s) as indicated on the Warehouse Receipt.
Purchase Period – Shall commence at 7:00 AM Eastern Time on _____, 200__ and terminate at 7:00 PM Eastern Time on _____, 200__.
- c. Purchase Date: Shall be the date or dates, which are chosen by JBS at its sole discretion but fall within the Purchase Period, when JBS purchases the Peanuts from the Seller.
- d. Purchase Price: Shall be the price that JBS pays for the Peanuts when it actually purchases the Peanuts out of loan. That amount shall be the USDA Marketing Assistance Loan Repayment Rate (adjusted for grade) in effect at the time of payment to CCC for the Peanuts.
- e. Warehouse Receipt: Shall be the following warehouse receipts:

2. **Option Price and Quantity:** JBS shall pay the Seller \$ _____ per net farmer stock ton ("Option Price") for a total of _____ net farmer stock tons or a total of \$ _____ ("Option Payment"). The Option Payment shall be the only amount due from JBS to the Seller for the Peanuts, as the Purchase Prices will be paid directly to CCC. This Section 2 renders Section 5.b. of the Farmer Stock Agreement null and void and shall prevail in the event that that Section 5.b. has been filled out.
3. **Option Payment Date:** JBS shall pay the Seller the Option Payment on the latter of the date that this Option has been executed by the parties hereto or the date that the Power of Attorney form FSA-211, appointing JBS as attorney in fact to act for the Seller with respect to certain FCIC, FSA and/or CCC programs, is approved by FSA. Upon receiving an approved Power of Attorney from FSA, JBS shall have no obligation to notify the Seller of its intention to exercise or the actual exercising of this Option.
4. **Exclusivity:** Upon the execution of this Option through the expiration date of the Purchase Period, the Seller shall not: (i) enter into any agreement with another party to sell the Peanuts; (ii) solicit, encourage, or initiate any proposal or offer from any other person or entity regarding the sale of the Peanuts; or (iii) remove or allow to be removed the Peanuts from the Warehouse.
5. **JBS's Non-purchase Option:** JBS, at its sole discretion, may elect to not purchase the Peanuts or a portion thereof without any further liability to the Seller. In such event, the Seller shall not be required hereunder to refund the Option Payment or any portion thereof if only a partial purchase is made by JBS.
6. **Seller's Lien Holders:** The Seller agrees and acknowledges that JBS shall list both the Seller and those lien holders set forth in Section 6 of the Farmer Stock Agreement or those lien holders that are otherwise known to JBS as payees on the Option Payment check.
7. **Obligation to Insure:** If the Peanuts are stored at a JBS contracted buying point, then the obligation to insure the Peanuts shall pass to JBS upon the execution of this Option. In the event that the Peanuts are not stored at a JBS contracted buying point, then the obligation to insure the Peanuts shall remain with the Seller until the Purchase Date. In the case where the Peanuts are not stored at a JBS contracted buying point, and a loss event occurs prior to the Purchase Date that renders the Peanuts unfit for human consumption, the determination of which shall be at JBS's sole discretion, then the Option Payment shall be immediately refunded to JBS in full.
8. **Conflict with the Farmer Stock Agreement:** Subject to Section 10 hereof, all terms and conditions set forth in the Farmer Stock Agreement shall continue to be binding upon the parties hereto unless there is a specific conflict with the terms and conditions of this Option. In the event of such a conflict, the applicable terms and conditions of this Option shall prevail.
9. **Expiration, Title and Beneficial Interest:** Notwithstanding any other provision of this Option and/or any provision the Farmer Stock Agreement; title, risk of loss and beneficial

interest in the Peanuts, as specified in 7 CFR Part 1421, shall remain with the Seller until the Purchase Date. This Option shall expire, notwithstanding any action or inaction by either the Seller or JBS, at the earlier of: (i) the maturity of any CCC loan which is secured by the Peanuts; (ii) the date the CCC claims title to the Peanuts; (iii) the Purchase Date, but only to the extent purchased; or (iv) the expiration of the Purchase Period.

IN WITNESS WHEREOF, the Parties have executed this Option as of the date first set forth above.

John B. Sanfilippo & Son, Inc. (JBS)

By: _____

Name: _____

Title: _____

_____(Seller)

By: _____

Name: _____

Title: _____



JOHN B. SANFILIPPO & SON, INC.

CONTRACT NO. _____

CONTRACT DATE: _____

CROP YEAR: _____

FARMER STOCK PEANUT PURCHASE AND SALE AGREEMENT

On the date first set forth above, this Farmer Stock Purchase and Sale Agreement (the "Agreement") is entered into, by and between John B. Sanfilippo and Son, Inc. (hereinafter JBS), a Delaware corporation, and the Producer (hereinafter Seller, which shall mean 1 or more sellers as listed in Section 1 hereof).

WHEREAS, JBS desires to buy farmer stock peanuts which meet the requirements of this Agreement (hereinafter Peanuts) from the Seller and the Seller desires to sell Peanuts to JBS.

NOW THEREFORE, in consideration for the mutual agreements contained herein and for other good and valuable consideration, the value, receipt and sufficiency of which are hereby acknowledged, JBS agrees to buy Peanuts and the Seller agrees to sell Peanuts in accordance with the terms and conditions of this Agreement as follows:

1. SELLER:

Seller Name and Address:

Seller Name and Address:

State Code No.: _____

County Code No.: _____

Farm Ser. No.: _____

Grading Pt. No.: _____

Check One Variety Only:

S.S./Fed. I.D. No. _____

S.S./Fed. I.D. No. _____

Runners: _____

Seller Name and Address:

Seller Name and Address:

Virginias: _____

Seed Exchange:

YES NO

S.S./Fed. I.D. No. _____

S.S./Fed. I.D. No. _____

2. SELLER WARRANTIES AS TO AUTHORITY:

The Seller hereby warrants that: (i) it has the sole and exclusive right to produce peanuts on the farm number stated above; (ii) it has the full legal authority to deliver and sell the Peanuts covered by the Agreement; and (iii) as a producer, is entitled to share in the proceeds from the sale of the Peanuts covered by the Agreement.

3. SELLER'S PLANTING INTENTIONS:

The Seller does hereby represent that it will plant and/or has planted _____ acres under irrigation and _____ acres that are not under irrigation (in total, the Intended Acreage) with the production of Peanuts from all said acres to be delivered to JBS, and shall notify JBS of the actual certified planted acreage (the Certified Acreage) within ten (10) days after making such a certification to FSA. In the event that the Certified Acreage varies more than +/- 5% from the Intended Acreage, JBS may at its sole option (i) purchase the production from the Certified Acreage; or (ii) purchase the production from the Intended Acreage.

4. QUANTITY:

The quantity of Peanuts to be purchased hereunder by JBS from the Seller shall be the Intended Acreage (subject to Section 3 hereof) multiplied by _____ pounds of Peanuts per acre (the Yield per Acre). The quantity of Peanuts to be purchased pursuant to this Section 4 is: _____ pounds. All quantities of Peanuts referred to in this Agreement whether in pounds or tons shall be net of foreign material.

5. PRICE (\$ PER TON:

a. _____ pounds at \$ _____ per farmer stock ton for non-loan Peanuts

b. _____ pounds at \$ _____ per farmer stock ton above the USDA Marketing Assistance Loan Repayment Rate in effect at

Exhibit 2

Seller shall promptly notify JBS in writing of any other liens, encumbrances, assignments, or prior interests which may attach to the Peanuts prior to payment. Seller hereby authorizes JBS to discharge any and all liens, encumbrances, assignments, penalties, charges, etc. from the payments made pursuant to this Agreement. Seller agrees to indemnify and hold JBS harmless from any losses, liability or costs (including attorneys fees and court costs) arising out of any omissions or misrepresentations made either intentionally or unintentionally by the Seller in this Section 6.

THE TERMS AND CONDITIONS SET FORTH ON THE REVERSE SIDE OF THIS AGREEMENT ARE AN INTEGRAL PART OF THIS AGREEMENT

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

JBS Representative Name

JBS Representative Signature

Seller's Name

Seller's Signature

Seller's Name

Seller's Signature

Seller's Name

Seller's Signature

Landlord/Operator hereby acknowledges, confirms and approves the sale of the Peanuts to JBS produced from the farm number stated above and waives any rights to assert or enforce against JBS any liens, crop shares or other rights or interests in the Peanuts.

Landlord/Operator Name

Landlord/Operator Signature

THE TERMS AND CONDITIONS SET FORTH ON THIS REVERSE SIDE OF THIS OF THE AGREEMENT ARE AN INTEGRAL PART OF THIS AGREEMENT

7. **Order of Delivery:** If applicable, any and all Seed Exchange Peanuts are deemed to be delivered by the Seller to JBS FIRST regardless of this or any other obligation the Seller may have with JBS.
8. **Termination:** This Agreement may not be terminated except as provided for in this Agreement.
9. **Execution Timing:** This Agreement must be executed within 24 hours of the date that the prices and quantities are determined and agreed upon. Failure to execute this Agreement within said time shall allow JBS at its sole discretion to consider this Agreement null and void.
10. **Right of Offset:** JBS shall have the right to offset against payment made to the Seller pursuant to this Agreement for (i) amounts due JBS from the Seller for seed exchange or other advances or debts; (ii) amounts rightfully due the JBS buying point; or (iii) amounts to be collected by JBS from the Seller pursuant to peanut regulations promulgated by the USDA.
11. **Delivery Deadline:** JBS at its sole discretion may reject delivery of the Peanuts contracted herein that are made after December 1 of the crop year stated above.
12. **2002 Crop Practices:** The parties hereto acknowledge that, at the time that this Agreement was drafted, the USDA has not promulgated any regulations governing the marketing, handling, etc. of a peanut crop. Both parties agree that they will abide by the generally accepted industry practices for marketing, grading, storing and handling of peanuts, which will be followed by handlers and producers as they develop during this crop year.
13. **Handler's Option to Purchase Other Non-contracted Peanuts:** Other Non-contracted Peanuts for purposes of this Paragraph shall be those peanuts produced by the Seller on any of its farms which have not been contracted to be sold to the JBS or any other party. In the event of a purchase made by the JBS pursuant to this Section and no written contract is made, the terms and conditions of this Agreement shall be binding upon the parties hereto in respect to said purchase. Seller agrees that all Other Non-contracted Peanuts shall first be offered to JBS, and if not purchased by JBS, then
 - a. Seller shall obtain from another sheller (defined as a commercial peanut handler with shelling facilities located in the U.S. who has been registered as such with the USDA for a minimum of five years) a bona fide and verifiable written bid to purchase the Other Non-contracted Peanuts for a liquidated sum certain on the date of delivery.
 - b. Before accepting the Sheller's bid as described above, Seller shall offer to sell the Other Non-contracted Peanuts to JBS on the same terms and conditions as said bid.
 - c. JBS shall have 24 hours to accept Seller's offer. Acceptance may be oral or written. If JBS does not accept Seller's offer, then Seller may sell the Other Non-contracted Peanuts to said other Sheller upon the same terms and conditions as were offered to JBS.
 - d. If JBS does not exercise its Option as set forth in this Paragraph 11, any agreement made by Seller to sell Other Non-contracted Peanuts to another Sheller must specifically state that: "all Peanuts sold to John B. Sanfilippo & Son, Inc. pursuant to its contract number _____ shall first be delivered to Sanfilippo before any Other Non-contracted Peanuts can be delivered to any other party." No allocation of the Producer's production shall be permitted hereunder in the event of a crop shortfall.
14. **Seller's Warranties:** Seller warrants: (a) that all Peanuts delivered to JBS hereunder will be Peanuts fit for human consumption and not adulterated within the meaning of the Federal Food, Drug and Cosmetic Act as amended and may be introduced into interstate commerce in accordance with the provisions of such Act; (b) that the Peanuts delivered hereunder will comply with the definition of those terms; (c) that upon payment for Peanuts by JBS to Seller or jointly to Seller and all lien holders disclosed herein or in writing hereafter to JBS, JBS will acquire a full, free and clear title to such peanuts; and (d) that the Peanuts delivered hereunder have not been exposed either intentionally or unintentionally to daminozides, alachlor, botran, monosodium methanearsonate (MSMA) or any pesticides not specifically labeled for peanuts. Seller agrees to defend, indemnify and hold JBS harmless from all loss or liability incurred by JBS (including attorney's fees and court costs) on account of Seller's delivery of any Peanuts not complying with any of the foregoing warranties.
15. **Acts of God, No Allocation:** The Seller shall not be excused from its obligations set forth in this Agreement for failure to deliver the full amount of Peanuts contracted hereunder unless the actual production of Peanuts on the farm specified above is less than the contracted amount because of physical loss of production resulting solely from external sources such as fire, lightning, inherent explosion, windstorm, drought, tornado, flood, or other acts of God. If Seller is unable to deliver the full amount of Peanuts contracted herein because of such reason, the Seller agrees to deliver and sell to JBS the full amount of Peanuts actually produced from the above specified farm, and this obligation of the Seller shall not be subject to excuse or allocation pursuant to Section 2-615 of the Uniform Commercial Code or otherwise.
16. **Stated Farm Number and Quantities:** This Agreement is for JBS's purchase of the Peanuts actually produced on the farm number and in the quantities stated above. Unless JBS agrees in writing, the stated quantities may not be changed, and Peanuts that have not been produced on said farm number may not be delivered against this Agreement.
17. **JBS's Right of Rejection:** JBS, in its sole discretion, may reject a particular delivery of the Peanuts made pursuant hereto if the Peanuts contain any amount of live infestation, glass, freeze damage or prohibited chemicals. Prohibited chemicals are (i) those chemicals which are not approved for use on peanuts by state and federal regulatory agencies; or (ii) those chemicals that are approved by such agencies but are not applied in a lawful manner or in accordance with their respective label directions which would thus render the Peanuts unfit for human consumption.
18. **JBS's Right to Equitable Relief:** JBS and Seller agree that they have executed and delivered this Agreement in contemplation of (i) the particular and unique characteristics of this Agreement; and (ii) JBS's own marketing and delivery requirements with respect to the Peanuts purchased by JBS hereunder. Consequently, JBS shall be entitled to any equitable remedy including but not limited to the remedy of specific performance of Seller's obligation to deliver the Peanuts contracted herein.
19. **Successors:** The rights and obligations under this Agreement shall be binding and inure to the benefit of the successors, assigns, and legal representatives of the parties hereto. Seller agrees and acknowledges that if the above-specified farm is sold prior to delivery of the Peanuts subject to this Agreement, the Seller's obligation to deliver said Peanuts hereunder is unaffected.
20. **Conflicts:** Should any provision of the Agreement be in conflict with any provision of the USDA Regulations pertaining to peanuts for the crop year indicated above, said regulations shall govern.
21. **Governing Laws and Venue:** This Agreement shall be governed by the laws of the State of Georgia, and any action arising from this Agreement shall be filed and tried solely by a court of competent jurisdiction residing in the State of Georgia for those Peanuts purchased hereunder which are not grown in the States of Virginia or North Carolina. This Agreement shall be governed by the laws of the State of North Carolina, and any action arising from this Agreement shall be filed and tried solely by a court of competent jurisdiction residing in North Carolina, and any action arising from this Agreement shall be governed by the laws of the State of Georgia, and any action arising from this Agreement shall be filed and tried solely by a court of competent jurisdiction residing in the State of Georgia for those Peanuts purchased hereunder which are grown in the States of Virginia or North Carolina.

RECEIVED

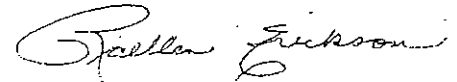
APR 25 2003

APR 24 2003

USDA - TX STO
CM/PS DIV

TO: Riley Odum, State Specialist
South Carolina State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division



SUBJECT: Dover Peanut Co. Letter - Your March 31 FAX

We have reviewed the Dover Peanut Company, Inc., letter that was mailed to contract producers who are under an Option for Purchase Farmer Stock Peanuts contract with Golden Peanut Company. We reviewed the letter to determine if the producer retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

We have determined that the language in the above-mentioned letter is acceptable. The letter requested contract producers to complete FSA-211, Power of Attorney, at their local FSA Office so that if Golden Peanut Company opted to request a marketing assistance loan on the producer's behalf all necessary paperwork will have been completed. A producer at anytime can complete FSA-211 and grant authority for an agent to act on the producer's behalf. Therefore, it is the producer's responsibility to understand that once an FSA-211 is executed the grantee can make all FSA and CCC transactions for the grantor, including but not limited to, requesting a marketing assistance loan or loan deficiency payment.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

DOVER PEANUT COMPANY, INC.

P.O. BOX 86
DOVER, GEORGIA 30424
(912) 863-4535

March 28, 2003

Enclosed is the 211 form that goes with the Option Contract you signed earlier with Golden Peanut Company.

Golden MAY OR MAY NOT exercise the option to go into loan, but we need this form signed at the F.S.A. office in the event the company does. It saves both of us time later in the season when everyone is busy.

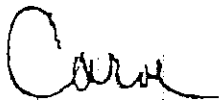
Please take the 211 form to the F.S.A. office and sign in their presence. Return the form to our office in the enclosed, stamped envelope.

It stays on file in our office until harvest.

Sorry this was not available at contract signing.

I would like to have this done in the next two weeks.

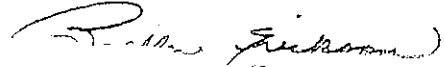
Thanks in advance for your cooperation.



APR - 9 2003

TO: Jim Reese
SED, Oklahoma State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedure Branch



SUBJECT: 2003 Crop Peanut Contract - Your March 20, 2003 E-Mail

We have reviewed the proposed contract titled "Handler and Producer Contract for Future Purchase of Peanuts, with Right of First Refusal" which you submitted on behalf of Clint Williams Peanut Company. The intent of our review of the contract was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- peanuts are delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

The contract as submitted is approved; however, if **any** change is made to the contract, including but not limited to, terms and conditions that may later be added to the remarks section of the contract, the contract approval will be withdrawn and the contract must be resubmitted for another beneficial interest determination.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

Exhibit 2

HANDLER AND PRODUCER OPTION CONTRACT FOR FUTURE PURCHASE OF PEANUTS, WITH RIGHT OF FIRST REFUSAL

Handler: The Clint Williams Co., P.O. Box 310, Madill, Oklahoma 73446 Handler No. 40005 Cont. crop Year 2003 Contract No. _____

Producer #1. _____ Producer #2. _____ Producer #3. _____

This contract that is made and entered into between the Handler and person(s) identified above is for the option to purchase the below specified peanuts produced in the state, county, and on the farm number listed below. Producer(s) is/are the seller(s) and henceforth referred to herein as "Seller". The Seller and Handler agree as follows: Seller is the owner of or expects to produce _____ lbs. of Edible, Segregation 1 (as described in section A. on reverse side) farmer stock peanuts, free of freeze damage, actual production more particularly described below ("the Peanuts"). Clint Williams Co. wishes to obtain an exclusive Option to purchase Peanuts, and Seller is willing, for the consideration stated herein, to grant Clint Williams Co. such exclusive Option. Now therefore and in consideration of the sum of \$_____ per net ton, actual harvest production, basis grade per the Commodity Credit Corporation (CCC) Loan Schedule for 2003 Crop for the applicable Seg. 1 peanut type, Seller does hereby grant to Clint Williams Co. the exclusive right to purchase the Peanuts on the terms set out below.

State Code _____, County Code _____, Farm Serial No. where produced _____	State Code _____, County Code _____, Farm Serial No. where produced _____
Type of Peanuts _____, High Oleic YES _____ NO _____, Irrigated YES _____ NO _____	Type of Peanuts _____, High Oleic YES _____ NO _____, Irrigated YES _____ NO _____
Average yield per acre _____, Production acres _____	Average yield per acre _____, Production acres _____
Actual Harvest Production _____ lbs.	Actual Harvest Production _____ lbs.

- The purchase price of the Peanuts in the event Clint Williams Co. exercises its Option to purchase, shall be the USDA loan repayment rate (which includes premium or discounts for grade factors based on USDA/CCC loan schedule) required to redeem the Peanuts when Clint Williams Co. exercises its Option. Seller will be responsible for obtaining any and all government payments.
 - Seller agrees that peanuts contracted herein shall be delivered for storage or purchase to Handler's approved buying point immediately upon harvest. Clint Williams Co. may exercise this Option by notifying Seller as to: (A.) immediate exercise of option and purchase at harvest, and/or (B.) a later exercise of option and subsequent purchase date of peanuts out of loan storage sometime prior to August 31, 2004. The date Clint Williams Co. exercises this option shall be deemed to be the date specified in the notice of exercise.
 - Upon notice of exercise, Seller shall immediately authorize transfer and deliver to Clint Williams Co. the original Warehouse Receipt and possession of the Peanuts. The sale shall be FOB the storage location of the Peanuts.
 - A. Clint Williams Co. may exercise this option at anytime during a period beginning on the date hereof and ending on August 31, 2004
B. Notwithstanding any other provision of this option to purchase, title; risk of loss; and beneficial interest in the commodity specified in 7CFR 1421.6 shall remain with the Seller until Clint Williams Co. exercises this option and purchases the commodity. This option to Seller shall expire, notwithstanding any action or inaction by either Seller or Clint Williams Co. at the earlier of:
 - the maturity of any Commodity Credit Corporation (CCC) loan that is secured by such commodity;
 - the date CCC claims title to such commodity; or
 - such other date as provided in this option;
- All peanut production on said farm serial number in excess of the pounds listed above will be subject to a "Right of First Refusal" in accordance with section E on the reverse side.

By signing this contract, Seller represents to Handler that Seller has the authority to contract for, sell and deliver all of the peanuts identified above and is entitled to receive (or share in) the proceeds from sale of the peanuts covered by this contract. If the farm specified above is sold prior to purchase of the peanuts which are included in this option contract hereby, Seller's obligation to deliver the amount of peanuts contracted shall be unaffected. If Seller does not grow peanuts on the farm identified in this contract but grows peanuts on a different farm(s), Seller agrees to sign a new option contract with Handler for a like quantity of peanuts on the other farm(s) at the same price and terms as contracted for herein.

LIEN CERTIFICATION. Seller certifies and warrants that there are no liens or other interests (such as Landlord's Liens, Landlord's Crop Shares in the peanuts, Landlord's Crop Share in Money, PCA, FMHA, Bank, and prior crop contracts, etc.) on, in, or to the peanuts to be produced on the farm described above, except as follows:

Name	Address	Nature of Lien or Other Interest

Seller agrees to promptly notify Handler in writing of any other liens, interests, or encumbrances which may hereafter attach to the peanuts covered by this contract. Seller agrees that all such liens, encumbrances, or interest will be fully satisfied prior to delivery of the peanuts or fully satisfied from the payment to Seller by Handler for such peanuts. Seller hereby authorizes Handler to discharge any and all liens, encumbrances or interest from the payments due Seller pursuant to this contract. Seller agrees to indemnify and hold Handler harmless from all loss or liability, including attorney fees, incurred by Handler if Seller delivers encumbered peanuts.

THIS WRITING CONSTITUTES THE ENTIRE AGREEMENT BETWEEN SELLER AND HANDLER terminating and superseding any prior agreements between Seller and Handler with respect to the subject matter hereof. Handler and Seller agree to execute any and all documents necessary to comply with applicable federal or state law. Seller acknowledges that Handler and its agents made no representations to induce Seller to enter this contract, except for such representations as may expressly appear herein.

Exhibit 2

THE "OTHER CONTRACTUAL PROVISIONS" APPEARING BELOW IN THE REMARKS SECTION AND ON THE REVERSE SIDE ARE AN INTEGRAL PART OF THIS CONTRACT. Both parties hereto have read and understand the provisions stated on the face of this contract and on the reverse side "Other Contractual Provisions" and agree to all of said provisions.

Remarks for Contract Peanuts:

Seller agrees to deliver peanuts contracted herein to _____ (Buying Point),
 _____ (City & State), or other location as specified by Handler.

Total Farm acres to be planted: _____ Spanish, _____ Runner, _____ Virginia, _____ Valencia; _____ Total all farm acres

Seller must notify Handler, prior to July 1 of Current Crop Year, of any differences (actual vs. that contracted) in planted acreage.

PRODUCER #1 NAME		PRODUCER #2 NAME	
ADDRESS		ADDRESS	
PRODUCER #1 SIGNATURE	DATE	PRODUCER #2 SIGNATURE	DATE
PRODUCER #3 NAME		HANDLER OR AUTHORIZED AGENT NAME AND ADDRESS	
ADDRESS		BUYING POINT NAME AND NUMBER	
PRODUCER #3 SIGNATURE	DATE	HANDLER'S AUTHORIZED SIGNATURE	DATE

- A. **SELLER'S WARRANTIES.** Seller warrants the peanuts covered hereby to be of Edible quality, or Segregation 1 (as defined by USDA or as Handler may elect to define Segregation 1 peanuts in accordance with the Peanut Administrative Committee rules for the 2001 crop year), fit for human consumption, and not in violation of any provisions of the Federal Food, Drug and Cosmetic Act. Seller agrees to indemnify and hold Handler harmless from all loss or liability, including attorney's fees, incurred by Handler, as a result of Seller's breach of such warranties.
- B. **FARM INFORMATION.** Seller warrants that Seller is listed as the "Producer" on FSA records and warrants that Seller has the exclusive and sole right to produce peanuts on the specified farm. Seller agrees that he/she will not allow the Producer(s) on this farm to be changed without Handler's consent. Seller agrees to plant peanuts on this farm, to certify the acreage planted to the FSA office, and to inform Handler of the acreage certified to FSA within 10 days after certification. Seller hereby agrees to furnish to Handler the Producer's FSA records regarding peanut acreage planted and farm production for the Contract Crop Year. Further, Seller hereby gives Handler full authority to inspect all FSA documents, including the FSA Marketing Card Reports and other information relevant to the enforcement of this contract regardless of origin. The executed contract, or a copy hereof shall constitute authorization for this right of inspection.
- C. **USE OF DAMINOZIDE OR OTHER UNAPPROVED CHEMICALS PROHIBITED.** Seller agrees not to apply or use the chemical known as daminozide or any chemicals not specifically approved and labeled for use on the peanuts which are subject to this contract or any chemicals which Handler from time to time notifies Seller are not approved by Handler to be used in connection with the peanuts which are subject to this contract. Seller hereby agrees to indemnify and hold Handler harmless for any and all losses or liability, including attorney's fees, incurred by Handler as the result of the Seller's application or use of such chemicals. Seller agrees to permit Handler access to inspect Seller's crop during the growing season and to take a reasonable number of plant samples for chemical analysis.
- D. **DELIVERY FOR STORAGE OR PURCHASE.** Seller agrees to deliver the pounds contracted as set forth herein to the Handler's buying station immediately upon harvest. This contract specifically prohibits Seller from withholding the delivery of peanuts to Handler as specified in this contract for any reason including seed purposes. However, should the peanuts contracted not be delivered immediately upon harvest, Seller is not relieved of the obligation to deliver hereunder and Handler shall have the option of taking delivery of such peanuts thereafter pursuant to the terms hereof. In no event shall Seller sell said peanuts to any other party until Handler has declined the option of purchasing the peanuts granted herein and provided written notice to that effect to Seller. Seller agrees to deliver for storage or purchase said peanuts unless poundage of such peanuts produced by the Seller on such farm is less than the poundage contracted in which case Seller is required to deliver only the poundage so produced. Said contracted peanuts must be delivered to Handler prior to any contracted peanuts being delivered under any other contract unless such prior sales are disclosed to Handler and listed under the "Other Contractual Provisions - Remarks Section" on the front of this form. Seller also agrees not to take any action which would have the effect of converting said peanuts into peanuts which are not covered by the terms hereof including but not limited to, using said peanuts on another farm or for seed purposes. Furthermore, Seller shall not be excused from the obligation to deliver the contracted peanuts due to the fact that some or all such peanuts were produced by someone not identified in this contract as a Seller. If Seller is prevented from delivering the poundage covered under this contract because of loss or damage resulting solely from an external source such as fire, lightning, inherent explosion, windstorm, tornado, flood or other acts of God or other like condition totally beyond the control of Seller, Seller is required to deliver only the quantity of peanuts not lost or damaged.
- E. **RIGHT OF FIRST REFUSAL.** Seller hereby gives Handler a right of first refusal with respect to the purchase of all or any portion of Edible, or Segregation 1, farmer stock peanuts not contracted herein but produced on Seller's farm which are not subject to or pursuant to prior sales which shall be listed by Seller on the front of this form in the "Other Contractual Provisions - Remarks Section". Seller shall sell such peanuts only to a buyer who is a bona fide Handler of peanuts (one who has a current storage contract through USDA/CCC). However, Seller shall not sell such peanuts to such buyer other than Handler without first offering such peanuts to Handler at a price not greater and upon terms and conditions not less favorable than the terms and conditions, including the cash price, offered in writing and in good faith by such buyer for such

peanuts. The terms and conditions of Seller's offer of first refusal to Handler shall be in writing. Handler shall have a period of 72 hours in which to accept Seller's offer. Should Handler fail to accept Seller's offer within in such time, Seller may proceed to sell such peanuts to the other buyer on the basis of the same price, terms, and conditions offered to Handler. However, in the event that Seller does not sell such peanuts to the other buyer on the basis of said price, terms and conditions offered to Handler, any subsequent offer to Seller for such peanuts by another buyer must be presented to Handler pursuant to the right of first refusal set forth in this paragraph. Handler and Seller agree that on peanuts initially placed in USDA/CCC loan, that the final sale of Seller's peanuts redeemed from the USDA/CCC loan are subject to the right of first refusal as set forth in this paragraph.

- F. **BASIS GRADE.** "Basis Grade" contained herein shall be defined as per USDA/FSA/CCC Peanut Loan Schedule for the applicable Type and crop year adjusted to the applicable repayment rate.
- G. **SPECIFIC PERFORMANCE.** Seller and Handler agree that they have executed and delivered this contract in contemplation of the limited source or market of the peanuts contracted herein. Seller acknowledges that Handler has entered or will enter into contracts and commitments with other persons in reliance upon Seller's performance hereunder. In recognition of the foregoing and the unique characteristics and source of peanuts, Seller agrees that Handler shall be entitled to, in addition to any other remedy at law or in equity which Handler may have under this contract or otherwise, the remedy of specific performance of Seller's obligation under this contract, and breach or threatened breach of this contract shall be on the proper subject of a temporary or permanent restraining order to injunction. Further, Seller, his successors, heirs, and permitted assigns waive any claim or defense that there is an adequate remedy at law for such breach or threatened breach.
- H. **FAILURE TO DELIVER FOR PURCHASE.** It is the express bona fide intention of the Seller and Handler that Seller shall actually produce and deliver to Handler the full quantity of peanuts contracted hereunder. If Seller fails to deliver the full quantity of the peanuts as contracted hereunder, for any reason whatsoever, except for a weather-related act of God, Handler may, at its option, cover any undelivered quantity at Seller's expense, and/or exercise any right or remedy which it has under applicable law, including but not limited to, the Uniform Commercial Code as in effect in the State of Oklahoma. Handler and Seller agree that they have executed and delivered this contract in contemplation of the particular and unique characteristics and source of peanut and Handler's own marketing and delivery requirements with respect thereto.
- I. **FREEZE DAMAGED PEANUTS.** Handler may, at its sole option, refuse to purchase from Seller any peanuts contracted herein where freeze damage is detected.
- J. **SUCCESSORS ASSIGNS: TIME OF ESSENCE.** This contract shall be binding on Handler and Seller, their successors, heirs, and permitted assigns and shall not be modified, whether by course of conduct or otherwise, unless a written amendment is executed by Handler and Seller. This Agreement may be assigned by Handler, but may not be assigned by Seller without the prior express written consent of Handler. Time is of essence with respect to each and every term, condition, and obligation herein.
- K. **SEVERABILITY.** Seller and Handler intend this contract to be binding and enforceable in all respects. However, if any one or more of the provisions of this agreement shall be held to be invalid, illegal, or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of the remaining provisions of this agreement shall not in any way be affected or impaired thereby. Disapproval of this contract by FSA or other authority for any reason does not in any way release the parties from their obligations for peanuts under this contract.
- L. **RELATIONSHIP.** Seller hereby agrees that this contract constitutes an arms length agreement voluntarily entered into by the parties and not a contract of adhesion. Seller also agrees that the relationship between Seller and Handler is one of seller - purchaser and is not a fiduciary or special relationship.
- M. **INDEPENDENT TRANSACTIONS.** Seller acknowledges that this contract constitutes an independent transaction and that Handler did not demand and Seller did not enter into any other agreement, contract or understanding as a condition or requirement to the execution of this contract.
- N. **MULTIPLE CONTRACTS.** If there is more than one contract between Handler and Seller for peanuts grown on the farm identified herein, the contract with the earliest date shall be performed in its entirety prior to any contract(s) with later date(s).
- O. **ACTION AND ATTORNEY'S FEES.** Any claim by Seller based on or arising out of the peanuts subject to this contract or otherwise shall be barred unless Seller commences suit on or before two years from the date such claim accrues (or within the shortest limitations period which applicable law allows). In the event legal action is instituted with respect to this agreement or any obligations hereunder, the prevailing party shall be entitled to a recovery of reasonable attorney's fees expended in such action, if permitted by law. **THIS CONTRACT IS ACCEPTED BY HANDLER IN, SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF OKLAHOMA.**
- P. **GRADING.** Seller agrees that peanuts grading Edible, or Seg. 1, without excessive moisture or foreign material may not be "no saled" for regrading, and that contracted peanuts grading non-Edible, or Seg. 2, shall not be "no saled" for regrading more than two times, without express consent of a C.W.Co. Representative.



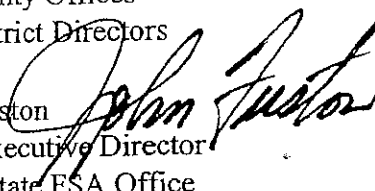
United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

Texas State
FSA Office
PO Box 2900
College Station, TX
77841-2900

To: All County Offices
and District Directors

From: John Fuston 
State Executive Director
Texas State FSA Office

Date: March 31, 2003


In Reply Refer to: 5-JKG

Subject: Beneficial Interest Determination by PSD/WDC
for Peanut Contract from Southern Peanut Company, Inc.

Attached is an additional determination of a peanut contract reviewed for beneficial interest by PSD/WDC to add to the list we mailed to you recently. Please review and apply this determination to any peanut loan or LDP application received that is under this contract.

County Offices should maintain a file of beneficial interest determinations for reference.

Attachment

JKG:bsa
Central File
State Office File 
Reading File
h:\word\bonnie\memo\sed\co4



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Avenue, SW
Stop 0512
Washington, DC
20250-0512

Mr. Kelly Bennett
Southern Peanut Company, Inc.
P.O. Box 160
Dublin, North Carolina 28332

Dear Mr. Bennett:

We have reviewed the resubmitted proposed contracts titled "Southern Peanut Company, Inc. 2003 Farmers Stock Purchase Option and Gentleman's Understanding" that was submitted on behalf of Southern Peanut Company, Inc. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- peanuts are delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

We appreciate the opportunity to review this contract. We will provide the results of our beneficial interest determination to the FSA State offices.

If you have any questions, please contact Toni Williams in the Price Support Division at (202) 720-2270.

Sincerely,

Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division

Southern Peanut Company, Inc. 2003 Farmers Stock Purchase Option

These are "GOOD FAITH" options. Producers must plant acres recorded below and maintain crop using "Good Agricultural Practices" to ensure fulfillment of this agreement. In the event of weather or crop conditions beyond the control of the producer, provided the producer has done all he is able to do to manage these conditions, delivery in full will be waived. It is further mutually agreed this option is for SEG 1 peanuts.

Notwithstanding any other provision of this option to purchase, title, risk of loss, and beneficial interest in the commodity, as specified in 7CFR part 1421, shall remain with the producer until the buyer exercises this option to purchase the commodity. This option to purchase shall expire, notwithstanding any action or inaction by either the producer or buyer, at the earlier of: (1) The maturity of any CCC loan which is secured by such commodity; (2) the date the CCC claims title to such commodity; or (3) such other date as provided in this option

Early Delivery - Farmers Stock delivery on or before November 18, 2003. Farmers stock not delivered by deadline will revert to "Option 3 - Floor Price" if no other options are chosen in 4, 5, or 6.
(Producer responsible to file proper CCC documents prior to delivering)

- ☐ Option 1. "Cap Option" \$ 146.34 over loan repayment rate in affect date FV-95 issued. FV-95 date purchase is final.
- ☐ Option 2. "50/50 Option" 50% of 1007 purchased at \$121.34 over loan repayment rate in affect date of FV-95; 50% of 1007 purchased at \$ 475.00, producer gets all LDP for 1007. Date FV-95 issued is the date purchase is final.

- ☐ Option 3. "Floor Price" \$ 425.00 net ton to producer. Producer gets all LDP

Deliver at will - Farmers Stock delivered and graded (FV-95 date) date of delivery to receiving location. These options may be used with 1 or 2 above.

- ☐ Option 4. "Cap Option" \$ 135.34 over loan repayment rate in affect date FV-95 issued. FV-95 date purchase is final.
- ☐ Option 5. "50/50 Option" 50% of 1007 purchased at \$96.34 over loan repayment rate in affect date of FV-95; 50% of 1007 purchased at \$ 450.00, producer gets all LDP for 1007. Date FV-95 issued is the date purchase is final.
- ☐ Option 6. "Floor Price" \$ 400.00 net ton to producer. Producer gets all LDP

Over Production - Farmers Stock production over the Lbs. Recorded below will be negotiated at time of delivery. SPC has right of "FIRST REFUSAL" on all such overproduction. Producer Initials

_____ Acres to be planted for this agreement resulting in _____ Lbs. of SEG 1 Farmers Stock Peanuts (Average Lbs. per acre _____)

Option _____ selected above This _____ day of _____, 2003

Producer Name: _____ Southern Peanut Company, Inc.

Address: _____ (location deliver to)

City: _____

Home Phone: _____ (Location Manager)

Cell / Business : _____

Signature of Producer: _____ (Southern Peanut Buyer)

Southern Peanut Company, Inc. 2003 Farmers Stock Purchase Option

This is a "GOOD FAITH" option. Producers must plant acres recorded below and maintain crop using "Good Agricultural Practices" to ensure fulfillment of this agreement. In the event of weather or crop conditions beyond the control of the producer, provided the producer has done all he is able to do to manage these conditions, delivery in full will be waived. It is further mutually agreed this option is for SEG I peanuts.

Notwithstanding any other provision of this option to purchase, title, risk of loss, and beneficial interest in the commodity, as specified in 7CFR part 1421, shall remain with the producer until the buyer exercises this option to purchase the commodity. This option to purchase shall expire, notwithstanding any action or inaction by either the producer or buyer, at the earlier of: (1) The maturity of any CCC loan which is secured by such commodity; (2) the date the CCC claims title to such commodity; or (3) such other date as provided in this option

Early Delivery - Farmers Stock to be delivered on or before _____ (date)

\$ _____ over loan repayment rate in affect date FV-95 issued. FV-95 date purchase is final. (Producer responsible to file proper CCC documents prior to delivering)

Over Production - Farmers Stock production over the Lbs. Recorded below will be negotiated at time of delivery. SPC has right of "FIRST REFUSAL" on all such overproduction. Producer Initials

_____ Acres to be planted for this agreement resulting in _____ Lbs. of SEG I Farmers Stock Peanuts (Average Lbs. per acre _____)

The above terms agreed to this _____ day of _____, 2003

Producer Name: _____

Southern Peanut Company, Inc.

Address: _____

(location deliver to)

City: _____

Home Phone: _____

(Location Manager)

Cell / Business : _____

Signature of Producer: _____

(Southern Peanut Buyer)

Gentleman's Understanding

This is a "GOOD FAITH" offer. Producer must plant acres recorded below and maintain crop using "Good Agricultural Practices" to ensure fulfillment of this agreement. In the event of weather or crop conditions beyond the control of the producer; provided the producer has done all he is able to do to manage these conditions, delivery in full will be waived. It is understood the peanuts referenced are to be SEG I farmers stock peanuts.

If the producer reserves warehouse space in S.P.C. warehouse for production on the acres planted below, S.P.C. will offer: at time of delivery, to handle and store these peanuts for an amount of \$ _____ grade basis over the loan repayment rate in effect the date the FV-95 is issued. It is further understood that the producer will present these peanuts by _____ (Date) if the space is to be kept available for the producer. In the event the producer is unable to deliver by this date this offer may be changed to a flat floor offer of \$ _____ per net ton grade basis. (in either case, producer retains LDP)

_____ acres to be planted for this agreement resulting in _____ Lbs. of SEG I Farmers Stock Peanuts (average Lbs. per acre _____)

I _____ wish to reserve space at a S.P.C. facility for the above referenced amount of peanuts. This _____ day of _____, 2003.

Producer Name: _____	Southern Peanut Company, Inc.
Address: _____	_____ (location deliver to)
City: _____	_____
Home Phone: _____	_____ (Location Manager)
Cell / Business : _____	_____
Signature of Producer: _____	_____ (Southern Peanut Buyer)

OK Notice LP(GR)-1682

MAR 27 2003

TO: Rick Lopez
SED, New Mexico State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division

SUBJECT: Proposed Option to Purchase Agreement for Review -
Your March 10, 2003 Memorandum



We have reviewed the submitted contract titled "Option for Purchase of Farmer Stock Peanuts" that was submitted on behalf of Morven Partners, L.P. (Morven). The intent of our review of the contract was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- title transfers from seller to buyer
- the peanuts are delivered for marketing and/or applied to the contract
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

OK Notice LP(GR)-1682

Exhibit 2

Option for Purchase Of Farmer Stock Peanuts

Morven Partners, L.P. (Morven)

No. _____

P. O. Box 550, Windsor, N. C. 27983

Date _____	Crop Year <u>2003</u>	
Seller Name & Address: _____	Share % _____	Seller Name & Address: _____
_____	_____	_____
_____	_____	_____
S.S./Fed. I.D. # _____	S.S./Fed. I.D. # _____	_____
Seller Name & Address: _____	Share % _____	Seller Name & Address: _____
_____	_____	_____
_____	_____	_____
S.S./Fed. I.D. # _____	S.S./Fed. I.D. # _____	_____

Seller is now the owner of, or warrants that he will produce during the current crop year, _____ lbs. of Segregation I farmer stock peanuts more particularly described above ("the Peanuts"). Morven wishes to obtain an exclusive option to purchase the Peanuts, and Seller is willing, for the consideration stated herein, to grant Morven such exclusive option.

Now therefore, and in consideration of (i) sum of \$100.00, to be paid by Morven to Seller within 30 days after the signing of this option and, (ii) \$ _____ per ton, basis grade, for each ton of the Peanuts delivered to the Storage Location less \$100.00, Seller does hereby grant to Morven the exclusive right to purchase the Peanuts on the terms set out below.

- 1) The purchase price of the Peanuts in the event Morven exercises its option to purchase shall be the USDA repayment rate, basis grade, for the Peanut type in effect on the date Morven exercises this option. Basic grade shall be determined using the USDA Price Table File issued September 6, 2002.
- 2) Morven may exercise this Option by either (i) giving written notice of its exercise to Seller either in person or by U.S. Mail with proper postage affixed and addressed to Seller at the address set out above, or (ii) if Seller has granted Morven authority to make repayments and redemptions on Seller's behalf, by repaying Seller's marketing assistance loan (MAL) and receiving transfer of the applicable warehouse receipt. If exercise is under (i), the date Morven exercises this option shall be deemed to be the date of the notice of exercise. If exercise is under (ii), the exercise shall be effective upon Morven's repaying MAL on Seller's behalf.
- 3) Upon notice of exercise, Seller shall immediately transfer and deliver to Morven the original Warehouse Receipt and possession of the Peanuts. The sale shall be FOB the storage location of the Peanuts unless Morven exercises prior to Storage, in which case the sale shall be FOB the inspection point.
- 4) Morven may exercise this option at anytime during a period beginning on the date hereof and ending on June 30, 2003, notwithstanding any other provision of this option to purchase, title; risk of loss; and beneficial interest in the commodity, as specified in 7CFR 1421.6, shall remain with the Seller until Morven exercises this option to purchase the commodity. This option to Seller shall expire, notwithstanding any action or inaction by either the Seller or Morven, at the earlier of:
 - (1) the maturity of any Commodity Credit Corporation (CCC) loan that is secured by such commodity;
 - (2) the date CCC claims title to such commodity; or
 - (3) such other date as provided in this option;
- 5) Seller warrants that the Peanuts sold hereunder shall, at the time of sale, be free and clear of all indebtedness, liens, security interests and encumbrances and have not been nor will be contracted or optioned for sale to any other entity.
- 6) Seller has full right and title to the Peanuts and agrees to indemnify and hold Morven harmless from and against any claims and encumbrances or adverse claims to the Peanuts that might be asserted by any other party.
- 7) If the Peanuts should be covered by any prior agreement between the parties hereto, such prior agreement is hereby amended to specifically exclude the Peanuts.
- 8) Seller warrants the Segregation I peanuts covered hereby to be Segregation I as defined by USDA, fit for human consumption and not in violation of any provisions of the Federal Food, Drug and Cosmetic Act, Environmental Protection Agency Regulations and the Federal Insecticide, Fungicide and Rodenticide Act. With exception to the USDA Segregation I definition, seller reserves the right to refuse purchase of peanuts with greater than 1/2 % freeze damage. Seller agrees to indemnify and hold Morven, its employees, agents, officers and directors harmless from all loss or liability, including attorney's fees, incurred by Morven, as a result of Seller's breach of such warranties.
- 9) Seller and Morven agree that they have executed and delivered this Option in contemplation of the limited source or market of the Peanuts. Seller acknowledges that Morven has entered or will enter into commitments with other persons in reliance upon Seller's performance hereunder. In recognition of the foregoing and the unique characteristics and source of peanuts, Seller agrees that Morven shall be entitled to, in addition to any other remedy at law or in equity which Morven may have under this Option or otherwise, the remedy of specific performance of Seller's obligations under this Option, and breach or threatened breach of this Option shall entitle Morven to a temporary or permanent restraining order or injunction. Further, Seller, his successors, heirs and permitted assigns, waive any claim or defense that there is an adequate remedy at law for such breach or threatened breach.
- 10) This option is noncancelable and non-assignable by Seller. Morven reserves the right to assign this contract.
- 11) This is option shall not be binding on Morven until executed by Morven's Authorized Agent and Morven's Procurement Manager. Two signatures by Morven are required to execute this option.
- 12) THIS OPTION SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NORTH CAROLINA.

Seller Signature _____	Seller Signature _____	Morven Authorized Agent _____
Seller Signature _____	Seller Signature _____	Morven Procurement Manager _____



United States
Department of
Agriculture


Farm and Foreign
Agricultural
Services

Farm Service
Agency

Texas State
FSA Office
PO Box 2900
College Station, TX
77841-2900

To: All County Offices
and District Directors

Date: March 20, 2003

From: Darren G. Owens 
Acting State Executive Director
Texas State FSA Office

In Reply Refer to: 5-JKG

Subject: Beneficial Interest Determinations by PSD/WDC for Peanut Contracts
from Golden Peanut Company, Tom's Foods, Inc., and Severn Peanut
Company, Inc.

Attached are determinations of peanut contracts reviewed for beneficial interest by
PSD/WDC. Please review and apply these determinations to any peanut loans or LDP
applications received that are under these contracts.

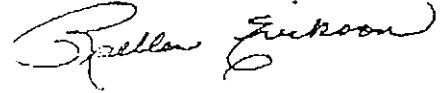
County Offices should maintain a file of beneficial interest determinations for reference.

Attachments

MAR 18 2003

TO: J. Kenneth Rentiers, Jr.
SED, South Carolina State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division



SUBJECT: Farmer Stock Contract Revision - Your February 21, 2003 FAX

We have reviewed the contract titled "Contract for Purchase and Sale of Farmer Stock Peanuts" that was submitted on behalf of Golden Peanut Company. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- the peanuts are delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.



Contract for Purchase And Sale of Farmer Stock Peanuts

No. _____

Golden Peanut Company, LLC (Golden) 100 North Point Center East Suite 400 Alpharetta, GA 30022

Date _____ Crop Year _____

Seller Name & Address: Vendor # _____ Seller Name & Address: Vendor # _____ Golden Registration # _____

_____ FSA State Code _____

_____ County & Code _____

_____ Farm Serial No. _____

S.S./Fed. ID # _____ S.S./Fed. ID # _____ Buying Point _____

Seller Name & Address: Vendor # _____ Seller Name & Address: Vendor # _____ Address _____

_____ Delivery Point _____

_____ Initial Inspection Point _____

_____ Collection Point _____

S.S./Fed. ID # _____ S.S./Fed. ID # _____ Storage Location _____

FARM PLANTING INTENTIONS

Intended Planted Acres: Center Pivot Irrigated _____ Other Irrigated _____ Dryland _____ Total _____ Average Yield Per Acre: _____ Variety _____

Seller understands that Golden is depending upon delivery of the peanuts contracted herein in order to fulfill its contract obligations. Seller warrants that Seller will plant not less than 90% of the intended acreage and shall certify to Golden in writing no later than August 1 of applicable crop year of the actual acreage planted.

Peanut type _____ Grade Standard _____ Seed Grower YES _____ NO _____ Seed Credit YES _____ NO _____ High Oleic YES _____ NO _____

Seller agrees to sell and Golden agrees to buy on the terms set out in this contract, according to the USDA Price Table File issued September 6, 2002, for the applicable peanut type, the quantity of edible quality peanuts described below.

Delivery Period(s): _____

Price, basis grade:

1. _____ pounds @ \$ _____ per farmer stock ton

2. _____ pounds @ \$ _____ per farmer stock ton above the USDA Marketing Assistance Loan Repayment Rate in effect at the time of delivery

LIENS, ASSIGNMENTS OR PRIOR INTERESTS: Seller certifies that there are no liens, crop insurance assignments or prior interests (such as, but not limited to, landlord's liens, landlord's crop share in the peanuts, landlord's crop share in money, FSA, PCA, banks, prior crop contracts, etc.) on the peanuts covered by this contract except as follows (use additional sheets if necessary):

Name of Lienholder/Assignee	Address	Nature of Liens, Assignments or Prior Interests
1. _____	_____	_____
2. _____	_____	_____

Seller shall promptly notify Golden in writing of any liens, encumbrances or prior interests which may attach to these peanuts prior to payment. Seller authorizes Golden to discharge any and all liens, penalties, charges, or encumbrances out of the payments due hereunder. If peanuts covered by this contract are subject to a crop share in peanut leases with landlord, Seller shall have such landlord join in and acknowledge this contract by signing below. Seller's execution of this contract without such an acknowledgement shall constitute a representation that the peanuts covered by this contract are not subject to a crop share.

THE TERMS AND CONDITIONS APPEARING ON PAGE 2, "TERMS AND CONDITIONS" ARE PART OF THIS CONTRACT. This contract sets the terms and conditions under which Golden is willing to buy from Seller the peanuts designated herein. Seller recognizes that Golden, in reliance on this contract, has made binding commitments with respect to the quantity of peanuts herein contracted, and Seller agrees that it is obligated to deliver such quantity in compliance with the terms and conditions hereunder.

BOTH PARTIES hereto have read and understand the terms and conditions stated on the face of this contract and on Page 2, "Terms and Conditions", and agree to all of said terms and conditions. Both parties hereto intend this instrument to be a bona fide, binding and enforceable contract for the actual delivery of the peanuts herein provided.

SELLER ACKNOWLEDGES that use of dinitroazides, alachlor, boms, monosodium methanearsonate (MSMA) or any pesticides not specifically labeled for peanuts on the peanuts to be delivered pursuant to this Agreement constitutes a breach of this Agreement.

IN WITNESS WHEREOF the respective parties have signed these presents. By executing this agreement, Seller warrants and represents that it has full legal power and authority to deliver and sell for itself and any owner/operator all the peanuts covered by this Agreement and is the only person(s) sharing, as a Seller, in the proceeds from the sale of the peanuts covered by this Agreement.

GOLDEN PEANUT COMPANY, LLC

By: _____
(Authorized Agent)

Seller Signature

Seller Signature

Seller Signature

Seller Signature

(Address)

Landlord/Operator: Sale to Golden Peanut Company, LLC of peanuts by this contract is hereby acknowledged, confirmed and approved, and undersigned landlord hereby waives any rights to assert or enforce against Golden any liens, crop shares or other rights or interests in any such peanuts.

Date: _____

Rev. Feb. 11, 2003

(Landlord) Operator

TERMS AND CONDITIONS

1. **Entire Contract:** This contract constitutes the complete and exclusive agreement between Golden and Seller as to the subject matter hereof, supersedes any and all other agreements, representations, promises, statements or understandings between Golden and Seller as to the subject matter hereof, and may be amended only by written agreement signed by the party to be bound. No parol evidence shall be relevant to supplement or explain this agreement.
2. **Loan Repayment Rate:** For purposes of this contract, the Loan Repayment Rate shall be defined as the amount required by producers to satisfy peanut marketing assistance loans with USDA, excluding interest.
3. **Right of First Refusal:** Seller shall not sell uncontracted peanuts from this farm to a buyer other than Golden without first offering such peanuts to Golden at a price not greater and upon terms and conditions not less favorable than the terms and conditions, including the cash price, offered in writing and in good faith by a buyer who is a bona fide commercial peanut sheller for such peanuts. Seller shall furnish the written offer to Golden who shall then have a period of 72 hours in which to meet the offer. Should Golden fail to meet the offer within such time, Seller may proceed to sell such peanuts to the other buyer on the basis of the same price, terms and conditions offered to Golden. However, in the event that Seller does not sell such peanuts to the other buyer on the basis of said price, terms and conditions offered to Golden, any subsequent offer to Seller for such peanuts by another buyer must be presented to Golden pursuant to the right of first refusal set forth in this paragraph.
4. **Assignment:** The rights and obligations of Seller may not be assigned or terminated without the consent of Golden. This contract cannot be sold or traded. Furthermore, if the farms specified herein are sold prior to delivery of the peanuts subject to this contract, Seller's obligation to deliver said peanuts hereunder is unaffected. Golden may assign any or all of its obligations hereunder upon notice to Seller.
5. **Authority to Conduct Marketing Loan Transactions:** Seller agrees, in the event the delivery period herein is after harvest, to execute documents with USDA authorizing Golden to conduct certain marketing loan transactions on behalf of Seller as agreed.
6. **Failure to Deliver:** It is the express bona fide intention of the Seller and Golden that Seller shall actually produce and deliver to Golden the full quantity of peanuts contracted hereunder. If Seller fails to deliver the full quantity of the peanuts as contracted hereunder, for any reason whatsoever, except for a weather-related act of God, Golden may, at its option, cover any undelivered quantity at Seller's expense, and/or exercise any right or remedy which it has under applicable law, including but not limited to, the Uniform Commercial Code as in effect in the State of Georgia. Golden and Seller agree that they have executed and delivered this contract in contemplation of the particular and unique characteristics and source of peanuts and Golden's own marketing and delivery requirements with respect thereto.
7. **No Adulteration:** Seller warrants that the peanuts delivered on this contract shall be fit for human consumption and not be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act or be peanuts which may not, under provisions of that Act, be introduced into interstate commerce. Any peanuts not in compliance with the foregoing warranties or any peanuts, irrespective of grade, which are tagged, seized, condemned, declared unfit or otherwise objectionable by any municipal, state, or federal agency shall not be acceptable under this contract and ownership thereof shall remain with Seller. Seller shall pay all costs incurred by Golden with respect to any such peanuts. Seller further warrants that no product containing daminozides, alachlor, botran, or any pesticide not specifically labeled for peanuts, has been used on the peanut plants on which the peanuts were grown. Such use of daminozides, alachlor, botran monosodium methanearsonate (MSMA) or any other pesticide not specifically labeled for peanuts by the Seller shall constitute a breach of Seller's obligations hereunder. Seller will reimburse Golden for any and all costs and expenses incurred as a result of Seller's use of daminozides, alachlor, botran, MSMA, or any other pesticides not specifically labeled for peanuts by Seller. Such use shall constitute a breach of Seller's obligations hereunder. Seller agrees that Golden and/or its representatives shall have access at all reasonable times to examine Seller's acreage on which the peanuts are being grown and shall be permitted to take a reasonable number of plant tissue samples for chemical analysis.
8. **Separate Deliveries:** Seller may make separate deliveries hereunder. As Golden accepts each such delivery, Golden shall pay to Seller an amount for such delivery determined as set forth above. No payment by Golden shall be construed as a waiver of any term or condition of this agreement to be performed by Seller.
9. **Different Grades:** Golden, at its sole option, may accept delivery of a different type or grade of peanuts than specified herein, or otherwise not complying with the terms and conditions herein. Any non-complying delivery accepted by Golden shall be at the price herein provided, subject to the USDA Price Table File issued September 6, 2002. Acceptance of any delivery not complying with the terms and conditions of this contract shall not waive any rights or remedies accruing to Golden as a result of such noncompliance nor effect a waiver of any further noncompliance.
10. **Choice of Law:** This contract shall be governed by the laws of the State of Georgia and shall be void unless signed by both parties.
11. **Failure to Purchase:** Golden shall have the right to decline to purchase the peanuts contracted hereunder, in which event Seller's damages shall be limited to the amount, if any, which Golden agreed to pay Seller above the USDA marketing assistance loan repayment rate.
12. **Order of Delivery:** In the event Seller has contracted for the sale of peanuts under separate contracts, Seller will be paid for deliveries of peanuts at the applicable price in the chronological order in which such contracts were signed.
13. **Unenforceable Provisions:** In the event any one or more provisions of this contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegibility, or unenforceability shall not affect any other provision hereof, and this contract shall be construed as if such invalid, illegal or unenforceable provision has never been contained herein.
14. **Arbitration:** Any and all disputes under this contract shall be submitted for arbitration in accordance with Article VIII of the American Peanut Shellers Association Official Trading Rules. Provided, however, the foregoing shall not bar a party from injunctive or other equitable relief from a court of competent jurisdiction when necessary to prevent immediate irreparable harm, preserve the status quo pending resolution of the underlying dispute, or in aid of arbitration, provided that the underlying dispute, if not already submitted to arbitration, is submitted for negotiation and arbitration promptly after the applicable relief. Neither party shall be awarded punitive nor exemplary damages for claims hereunder.
15. **Damaged Peanuts:** Golden may reject any peanuts delivered hereunder which have any damage due to pitting, freeze or concealed damage.
16. **Release of FSA Records:** Seller hereby grants the applicable Farm Service Agency (FSA) office permission to release all records of Seller's to Golden pertaining to the planted acreage or marketing of peanuts on the farm covered by this contract.
17. **Point of Delivery:** Delivery shall be to the Delivery Point specified in this contract, unless otherwise approved by Golden.
18. **Basis Grade:** The term "Basis Grade", means that the price per ton shall be adjusted up or down according to the official grade results. The USDA Price Table File issued September 6, 2002 for the applicable type shall be used to determine the final price.

TERMS AND CONDITIONS (Continued)

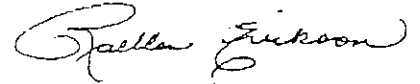
19. No Sale/Re-Grade: At Golden's sole option, peanuts "no-saled" by Seller because of grade may be rejected.
20. High Oleic Peanuts: Seller warrants that if the peanuts herein are high oleic, the appropriate box on the contract is marked and that the seed from which such peanuts were produced are from a licensed source.
21. Beneficial Interest: Seller retains all beneficial interests in the peanuts until such time as the title to the peanuts is actually transferred to Golden, the warehouse receipts are delivered to Golden, or full payment of the purchase price is made by Golden. Until that time, Seller retains title to the peanuts and the risk of loss remains with Seller.
22. Aflatoxin and Damage: Golden has the option to chemically test for aflatoxin, according to its own analytical procedures, and reject or discount according to its Schedule of Discounts, according to the results. On damage exceeding 2.49%, Golden shall have the option to reject or discount according to its Schedule of Discounts.
23. Bought from Storage: Peanuts contracted herein that are stored prior to purchase shall be bought at the prices and terms stated herein, but will be bought on the basis of the delivered weights and grades, not on the weights and grades after shrinking for storage.

MAR 18 2003

TO: Steve Newton
SED, Georgia State FSA Office

FROM: Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division

SUBJECT: Tom's Foods Farmer Stock Contract - Your February 27, 2003
E-Mail



We have reviewed the contract titled "Option to Purchase" that was submitted on behalf of Tom's Foods Inc. The intent of our review of the contract was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- the peanuts are delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

Draft



OPTION #03 -

HANDLER # 13036

OPTION TO PURCHASE
TOM'S FOODS INC - P.O. BOX 60-COLUMBUS, GEORGIA 31902

GEORGIA, MUSCOGEE COUNTY:

THIS OPTION, entered into this _____ day of _____, 2003, by and between TOM'S FOODS INC., a Delaware corporation with its principal office in Columbus, Georgia, doing business as TOM'S FOODS and which purchases and processes peanuts, hereinafter referred to as "TOM'S" and (name) _____ of (address, city, state, zip code) _____ as Seller of peanuts, hereinafter referred to as "Seller."

WITNESSETH THAT:

WHEREAS, Tom's wishes to obtain an exclusive Option to purchase the Peanuts hereinafter described and Seller for the consideration stated herein wishes to grant to TOM'S such an exclusive Option.

NOW THEREFORE, for and in consideration of the sum of \$ _____ per net ton for a total Option consideration of \$ _____, Seller hereby grants to TOM'S the exclusive right and the Option to purchase at such time as TOM'S desires to purchase the same between the time of harvest and June 30, 2004 _____ pounds of Runner farmer stock peanuts ("Peanuts") which Seller owns or will produce and harvest on Farm Serial # _____ (the "Farm"). County of _____, County number _____, State of _____, State number _____ during the 2003 crop year on the following terms and conditions:

- A. Seller agrees to take the Peanuts which this Option covers to the buying point specified by the representative executing this Option on behalf of TOM'S for the purpose of initial inspection and grading. Seller designates that after such inspection and grading the Peanuts shall be stored by Seller at the following USDA approved licensed warehouse: _____
- B. The purchase price of the Peanuts, in the event TOM'S exercises its option to purchase, shall be the USDA repayment rate basis grade per the USDA Price Table File issued 9/06/02 for the Peanuts in effect on the date TOM'S exercises its Option.
- C. As an inducement to TOM'S to enter into this Option and for the purpose of assuring an adequate production from the Farm to enable Seller to fulfill this Option, Seller hereby warrants and represents to TOM'S that Seller will plant _____ acres of Runner farmer stock peanuts for the 2003 crop year. If requested by TOM'S, Seller will provide TOM'S PSA Certification of acres for the 2003 crop and the yields for the past three years.
- D. TOM'S may exercise its Option by either (i) giving written notice of its exercise to Seller either in person or by U.S. Mail with proper postage affixed and addressed to Seller at the address set out above, or (ii) if Seller has granted TOM'S authority to make repayments and redemptions on Seller's behalf, by repaying Seller's marketing assistance loan (MAL) and receiving transfer of the applicable warehouse receipt or receipts. If exercise is under (i), the date TOM'S exercises this Option shall be deemed to be the date of the notice of exercise. If exercise is under (ii), the exercise shall be effective upon TOM'S repaying the MAL on Seller's behalf.
- E. Upon exercise, Seller shall immediately transfer and deliver to TOM'S the original Warehouse Receipt and possession of the Peanuts. The sale shall be FOB the storage location of the Peanuts unless TOM'S exercises prior to Storage in which case the sale shall be FOB the buying point.
- F. TOM'S may exercise this Option in whole or in part and from time to time at anytime during a period beginning on the date the Peanuts have been harvested and ending on June 30, 2004.
- G. Notwithstanding any other provision of this Option to purchase, title, risk of loss, and beneficial interest in the Runner farmer stock peanuts, as specified in 7CFR 1421.6, shall remain with the Seller until TOM'S exercises its Option to purchase the Runner farmer stock peanuts. This Option of TOM'S shall expire, notwithstanding any action or inaction by either the Seller or TOM'S, at the earlier of:
 - a. the maturity of any Commodity Credit Corporation (CCC) loan that is secured by such Runner farmer stock peanuts;
 - b. the date CCC claims title to such Runner farmer stock peanuts; or
 - c. June 30, 2004.
- H. At the time of sale, the Seller warrants the Peanuts described herein to be free and clear of all liens, indebtedness, security interests and encumbrances. Seller further certifies that at the time of execution of this Option and at the time of exercise of the same by TOM'S there are and will be no liens or prior interests (including, without limitation, landlord's liens, landlord's crop shares in the Peanut, landlord's crop share in money, PCA bank, prior crop contracts, etc.) on the Peanuts to be produced on the Farm described above.
- I. Seller warrants that Peanuts have not been, nor will be contracted or optioned for sale to any other party.
- J. Seller has all rights and title in and to the described Peanuts and the right to grant this Option. Seller indemnifies and holds TOM'S harmless from and against all claims, liens and encumbrances that may be asserted by any other party.
- K. TOM'S and Seller execute this Option to further fill market needs and understand that limited sources may be available to fill such needs. TOM'S will enter into other commitments and options with other sellers based upon and in reliance on this Option. Recognizing this, Seller agrees that TOM'S shall be entitled to, in addition to other remedies at law or in equity which TOM'S may obtain under this Option or otherwise, the remedy of specific performance of Seller's obligations under this Option. Breach of this Option shall entitle TOM'S to a temporary or permanent injunction or restraining order. Seller, including Seller's successors, heirs and assigns, waive any claim or defense that there is an adequate remedy at law for such breach.

Draft

TERMS AND CONDITIONS

- N. **DEFINITIONS.** (1) "FSA" shall refer to the Farm Service Agency. (2) "CCC" shall refer to the Commodity Credit Corporation. (3) "EPA" shall refer to the Federal Environmental Protection Agency. (4) "FDA" shall refer to the Federal Food and Drug Administration. (5) "Farm" shall refer to the farm described on the reverse side hereof. (6) "Peanuts" shall refer to Farmers Stock Peanuts. (7) "Seller" shall refer to the Seller identified on the reverse side hereof. (8) "Harvest" and "time of harvest" shall have the meaning set forth in Paragraph (N) hereof. (9) "USDA" shall refer to the United States Department of Agriculture. (10) "Repayment rate" shall have the meaning set forth in paragraph 7CFR Section 1421.10 (b) (1) of the 2002 Farm Bill Regulations and (11) "Buying point" is the Independent Business acting as agent for TOM'S for the purpose of receiving, inspecting, grading and shipping farmer stock peanuts to such storage facility as Seller may designate.
- O. **HARVEST.** Harvest shall be defined for purposes of this Option as the time at which combining, cleaning and drying of the Peanuts subject to the terms of this Option is completed, but shall in no event be more than ten days from the date upon which Peanuts are dug, weather conditions permitting.
- P. **CONTAMINANTS.** The Peanuts are warranted by Seller to be Segregation 1 as described by USDA, fit for human consumption and not in violation of provisions of Federal Food, Drug and Cosmetic Act, EPA regulations and Federal Insecticide, Fungicide and Rodenticide Act; Seller agrees to hold TOM'S harmless as a result of breach of such warranties. Seller further warrants and represents that none of the Peanuts to be delivered to TOM'S pursuant to the terms of this Option shall be grown utilizing chemicals, including, but not limited to fungicides, herbicides, insecticides, and nematocides which have not been approved by all state and federal regulatory agencies with jurisdiction over such chemicals including, but not limited to USDA, FDA, and EPA. Without limiting the generability of the foregoing, Seller further warrants and represents that no product containing daminozides, alachlor, or any pesticide not specifically labeled for Peanuts shall be used in connection with the production of any Peanuts to be delivered pursuant to the terms of this Option. Any chemicals utilized by Seller in connection with Peanuts to be delivered pursuant to the terms of this Option shall be utilized by employing recommended label practices, including but not limited to those relating to dosage, handling, and use of such chemicals. Seller acknowledges and agrees that should Seller fail to comply with these restrictions, such failure shall constitute a breach of this Option, and TOM'S shall be entitled to all remedies available to it under applicable law as a result of such breach including but not limited to the enforcement of this provision by means of specific performance, termination of this Option without any further or future liability on TOM'S, or an action for damages under applicable law. In addition to the foregoing, Seller further acknowledges and agrees not to utilize any substance, of any type or description, in connection with the Peanuts to be delivered to TOM'S pursuant to the terms of this Option which would in TOM'S judgment, adversely impact on the marketability of said Peanuts. Upon receipt of written or verbal notice from TOM'S, Seller will discontinue use of any substance deemed by TOM'S to affect the marketability of said Peanuts.
- Q. **MISCELLANEOUS.** (1) This Option constitutes the complete and exclusive agreement between Seller and TOM'S as to the subject matter hereof and supersedes any and all other prior agreements, representations, promises, statements or understandings between the parties. This Option may be amended only by a writing, executed by both TOM'S and Seller. No extraneous or parol evidence shall be utilized to supplement to explain the provisions of this Option; (2) The rights, duties and obligations of Seller under the terms of this Option may not be assigned, nor terminated, without the prior written consent of the Buyer; (3) The laws of the State of Georgia shall govern the interpretation and enforcement of this Option; (4) In the event that any one or more provisions of this Option shall, for any reason be held illegal, invalid or unenforceable in any respect whatsoever, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Option shall be construed as if any such invalid, illegal or unenforceable provision were stricken or removed; (5) In the event of a breach by Seller of the terms, conditions and provisions of this Option, Seller shall be responsible for payment to TOM'S, in addition to all damages incurred by TOM'S, all court costs, attorney's fees and other costs incurred by TOM'S in relation to the enforcement of the Option or in connection with the collection of damages suffered by TOM'S as a result of a breach hereof. In the event of litigation relating to a breach of this Option, Seller waives and relinquishes any right which Seller might otherwise have to a trial before a jury and consents to jurisdiction, and venue in the Superior Court of Muscogee County, Georgia; (6) This Option shall inure to the benefit of and be binding upon TOM'S, Seller and their respective heirs, executors, successors in interest, and permitted assigns. This Option shall also be binding upon any subsequent purchaser of the Farm, or any part thereof, who or which has actual constructive, or legal notice of this Option; (7) This Option shall be assignable, without restriction, by TOM'S; and (8) Time is of the essence of this Option.

MAR 18 2003

Mr. Elbert Long
Severn Peanut Co., Inc.
P.O. Box 710
Severn, North Carolina 27877

Dear Mr. Long:

We have reviewed the proposed contracts titled "Option for Purchase of Farmer Stock Peanuts, Contract for Purchase and Sale of Farmer Stock Peanuts, and Option for Purchase of Farmer Stock Peanuts (With Put Option)" that was submitted on behalf of Severn Peanut Co., Inc. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

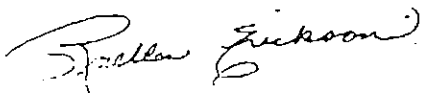
If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- peanuts are delivered for marketing and/or applied to the contract
- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

We appreciate the opportunity to review this contract. We will provide the results of our beneficial interest determination to the FSA State offices.

If you have any questions, please contact Toni Williams in the Price Support Division at (202) 720-2270.

Sincerely,



Raellen Erickson, Branch Chief
Compliance Policy and Procedures Branch
Price Support Division

6-20-03

OPTION FOR PURCHASE
OF FARMER STOCK PEANUTS

NO. _____

OPTIONEE (BUYER IF OPTION EXERCISED):

Severn Peanut Company, Inc. (Severn)P. O. Box 710Severn, North Carolina 27877

DATE: _____

CROP YEAR: 2003

Seller Name & Address:

Seller Name & Address:

Handler Registration No. 37008

FSA State Code _____

County & Code _____

Farm Serial No. _____

Buying Point _____

S.S./Fed. I.D. No. _____

S.S./Fed. I.D. No. _____

Seller Name & Address:

Seller Name & Address:

Special Notes: _____

S.S./Fed. I.D. No. _____

S.S./Fed. I.D. No. _____

Peanut Type _____

Grade Standard _____

Seed Grower YES _____ NO _____

Seed Credit YES _____ NO _____

High Oleic YES _____ NO _____

Seller is now the owner of, or warrants that he will produce during the current crop year _____ pounds of Segregation 1 farmer stock peanuts, more particularly described above ("the Peanuts"). Severn wishes to obtain an exclusive option to purchase the Peanuts, and Seller is willing, for the consideration stated herein, to grant Severn such exclusive option.

Now therefore and in consideration of (i) the sum of \$100.00 to be paid by Severn to Seller within 30 days after the signing of this option and, (ii) \$ _____ per ton, basis grade, for each ton of the Peanuts when delivered to the Storage location less \$100.00. Seller does hereby grant to Severn the exclusive right to purchase the Peanuts on the terms set out below.

1. The purchase price of the Peanuts in the event Severn exercises its option to purchase shall be the USDA repayment rate, basis grade, for the Peanut type in effect on the date Severn exercises this option. Basis grade shall be determined using the USDA Price Table File issued September 6, 2002.

2. Severn may exercise this Option by either (i) giving written notice of its exercise to Seller either in person or by U.S. Mail with proper postage affixed and addressed to Seller at the address set out above, or (ii) if Seller has granted Severn authority to make repayments and redemptions on Seller's behalf, by repaying Seller's marketing assistance loan (MAL) and receiving transfer of the applicable warehouse receipt. If exercise is under (i), the date Severn exercises this option shall be deemed to be the date of the notice of exercise. If exercise is under (ii), the exercise shall be effective upon Severn's repaying the MAL on Seller's behalf.

3. Upon notice of exercise, Seller shall immediately transfer and deliver to Severn the original Warehouse Receipt and possession of the Peanuts. The sale shall be FOB a USDA approved storage location of the Peanuts unless Severn exercises prior to Storage in which case the sale shall be FOB the inspection point.

4. A. Severn may exercise this option at anytime during a period beginning on the date hereof and ending on June 30, 2004.

B. Notwithstanding any other provision of this option to purchase, title, risk of loss and beneficial interest in the commodity, as specified in 7CFR 1421.6, shall remain with the Seller until Severn exercises this option to purchase the commodity. This option to Seller shall expire, notwithstanding

Exhibit 2

7. If the Peanuts should be covered by any prior agreement between the parties hereto, such prior agreement is hereby amended to specifically exclude the Peanuts.

8. Seller warrants the Segregation 1 peanuts covered hereby to be Segregation 1 as defined by USDA, fit for human consumption and not in violation of any provisions of the Federal Food, Drug, and Cosmetic Act, Environmental Protection Agency Regulations and the Federal Insecticide, Fungicide and Rodenticide Act. Seller agrees to indemnify and hold Severn, its employees, agents, officers and directors harmless from all loss or liability, including attorney's fees, incurred by Severn, as a result of Seller's breach of such warranties.

9. Severn may, at its sole option, refuse to purchase from Seller any Segregation 1 peanuts contracted herein having more than 1/4 of 1% damage due to freeze damage as shown on the Form FSA-1007 Inspection Certificate and Sales Memorandum.

10. Seller and Severn agree that they have executed and delivered this Option in contemplation of the limited source or market of Peanuts. Seller acknowledges that Severn has entered or will enter into commitments with other persons in reliance upon Seller's performance hereunder. In recognition of the foregoing and the unique characteristics and source of peanuts, Seller agrees that Severn shall be entitled to, in addition to any other remedy at law or in equity which Severn may have under this Option or otherwise, the remedy of specific performance of Seller's obligations under this Option, and breach or threatened breach of this Option shall entitle Severn to a temporary or permanent restraining order or injunction. Further, Seller, his successors, heirs and permitted assigns, waive any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

11. This Option shall be governed by, and interpreted in accordance with the laws of the State of North Carolina.

12. LIENS, ASSIGNMENTS OR PRIOR INTERESTS: Seller certifies that there are no liens, crop insurance assignments or prior interests (such as, but not limited to, landlord's liens, landlord's crop share in the peanuts, landlord's crop share in money, FSA, PCA, banks, prior crop contracts, etc.) on the peanuts covered by this Option except as follows (use additional sheets if necessary):

Name of Lienholder/Assignee	Address	Nature of Liens, Assignments or Prior Interests
(a) _____	_____	_____
(b) _____	_____	_____

Seller shall promptly notify Severn in writing of any liens, encumbrances or prior interests which may attach to these peanuts prior to payment. Seller authorizes Severn to discharge any and all liens, penalties, charges, or encumbrances out of the payments due hereunder. If peanuts covered by this contract are subject to a crop share in peanut leases with landlord, Seller shall have such landlord join in and acknowledge this contract by signing below. Seller's execution of this contract without such an acknowledgment shall constitute a representation that the peanuts covered by this contract are not subject to a crop share.

13. THE TERMS AND CONDITIONS APPEARING ON PAGE 3, "TERMS AND CONDITIONS", ARE PART OF THIS AGREEMENT. If the Option hereby granted is exercised, thus becoming a contract for purchase and sale of peanuts, this agreement sets the terms and conditions under which Severn is willing to buy from Seller the peanuts designated herein. BOTH PARTIES hereto have read and understand the terms and conditions stated herein and on Page 3, "Terms and Conditions", and agree to all of said terms and conditions. Both parties hereto intend this instrument to be a bona fide, binding and enforceable contract for the actual delivery of the peanuts herein provided, if this option is exercised.

IN WITNESS WHEREOF the respective parties have signed these presents. By executing this agreement, Seller warrants and represents that it has full legal power and authority to deliver and sell for itself and any owner/operator all the peanuts covered by this Agreement and is only the person(s) sharing, as a Seller, in the proceeds from the sale of the peanuts covered by this Agreement.

THIS CONTRACT SHALL NOT BE BINDING ON BUYER UNTIL IT IS EXECUTED BY AN AUTHORIZED FARMER'S STOCK PROCUREMENT EMPLOYEE OF SEVERN PEANUT COMPANY, INC., AS WELL AS BY THE AUTHORIZED AGENT; TWO SIGNATURES OF BUYER ARE REQUIRED.

SEVERN PEANUT COMPANY, INC.

Seller Signature

Seller Signature

BY: _____
(Authorized Agent)

BY: _____
(Severn Stock Procurement Employee)

TERMS AND CONDITIONS

1. ENTIRE CONTRACT. This contract constitutes the complete and exclusive agreement between Severn and Seller as to the subject matter hereof, supersedes any and all other agreements, representations, promises, statements or understandings between Severn and Seller as to the subject matter hereof, and may be amended only by written agreement signed by the party to be bound. No parol evidence shall be relevant to supplement or explain this agreement.
2. LOAN REPAYMENT RATE. For purposes of this contract, the Loan Repayment Rate shall be defined as the amount required by producers to satisfy peanut marketing assistance loans with USDA, excluding interest.
3. RIGHT OF FIRST REFUSAL. Seller shall not sell such peanuts to a buyer other than Severn without first offering such peanuts to Severn at a price not greater and upon terms and conditions not less favorable than the terms and conditions, including the cash price, offered in writing and in good faith by a buyer who is a bona fide commercial peanut sheller for such peanuts. Seller shall furnish the written offer to Severn who shall then have a period of 48 hours in which to meet the offer. Should Severn fail to meet the offer within such time, Seller may proceed to sell such peanuts to the other buyer on the basis of the same price, terms and conditions offered to Severn. However, in the event that Seller does not sell such peanuts to the other buyer on the basis of said price, terms and conditions offered to Severn, any subsequent offer to Seller for such peanuts by another buyer must be presented to Severn pursuant to the right of first refusal set forth in this paragraph.
4. ASSIGNMENT. The rights and obligations of Seller may not be assigned or terminated without the consent of Severn. This contract cannot be sold or traded. Furthermore, if the farms specified herein are sold prior to delivery of the peanuts subject to this contract, Seller's obligation to deliver said peanuts hereunder is unaffected. Severn may assign any and all of its obligations hereunder upon notice to Seller.
5. FAILURE TO DELIVER. It is the express bona fide intention of the Seller and Severn that Seller shall actually produce and deliver to Severn the full quantity of peanuts contracted hereunder. If Seller fails to deliver the full quantity of the peanuts as contracted hereunder, for any reason whatsoever, except for a weather-related act of God, Severn may, at its option, cover any undelivered quantity at Seller's expense, and/or exercise any right or remedy which it has under applicable law, including but not limited to, the Uniform Commercial Code as in effect in the State of North Carolina. Severn and Seller agree that they have executed and delivered this contract in contemplation of the particular and unique characteristics and source of peanuts and Severn's own marketing and delivery requirements with respect thereto.
6. NO ADULTERATION. Seller warrants that the peanuts delivered on this contract shall be fit for human consumption and not be adulterated or misbranded within the meaning of the Federal Food, Drug, and Cosmetic Act or be peanuts which may not, under provisions of that Act, be introduced into interstate commerce. Any peanuts not in compliance with the foregoing warranties or any peanuts, irrespective of grade, which are tagged, seized and condemned, declared unfit or otherwise objectionable by any municipal, state, or federal agency shall not be acceptable under this contract and ownership thereof shall remain with Seller. Seller shall pay all costs incurred by Severn with respect to any such peanuts. Seller further warrants that no product containing daminozides, alachlor, botran, or any pesticide not specifically labeled for peanuts, has been used on the peanut plants on which the peanuts were grown. Such use of daminozides, alachlor, botran, monosodium methanearsonate (MSMA) or any pesticides not specifically labeled for peanuts on the peanuts by the Seller shall constitute a breach of Seller's obligations hereunder. Seller will reimburse Severn for any and all costs and expenses incurred as a result of Seller's use of daminozides, alachlor, botran, MSMA, or any other pesticides not specifically labeled for peanuts by Seller. Such use shall constitute a breach of Seller's obligations hereunder. Seller agrees that Severn and/or its representatives shall have access at all reasonable times to examine Seller's acreage on which the peanuts are being grown and shall be permitted to take a reasonable number of plant tissue samples for chemical analysis.
7. SEPARATE DELIVERIES. Seller may make separate deliveries hereunder. As Severn accepts each such delivery, Severn shall pay to Seller an amount for such delivery determined as set forth above. No payment by Severn shall be construed as a waiver of any term or condition of this agreement to be performed by Seller.
8. DIFFERENT GRADES. Severn, at its sole option, may accept delivery of a different kind or grade of peanuts than specified herein, or otherwise not complying with the terms and conditions herein. Any non-complying delivery accepted by Severn shall be at the price herein provided, subject to the USDA Price Table for 2003 Crop premium and discount schedules. Acceptance of any delivery not complying with the terms and conditions of this contract shall not waive any rights or remedies accruing to Severn as a result of such noncompliance nor effect a waiver of any further noncompliance.
9. CHOICE OF LAW. This contract shall be governed by the laws of the State of North Carolina and shall be void unless signed by both parties.
10. FAILURE TO PURCHASE. Severn shall have the right to decline to purchase the peanuts contracted hereunder, in which event Seller's damages shall be limited to the amount, if any, which Severn agreed to pay Seller above the USDA marketing assistance loan repayment rate.
11. ORDER OF DELIVERY. In the event Seller has contracted for the sale of peanuts under separate contracts, Seller will be paid for deliveries of peanuts at the applicable price in the chronological order in which such contracts were signed.
12. UNENFORCEABLE PROVISIONS. In the event any one or more provisions of this contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this contract shall be construed as if such invalid, illegal or unenforceable provision has never been contained herein. Buyer and Seller agree that if, after the execution of this contract FSA, CCC, and/or USDA promulgate regulations or a form of contract requiring specific terms and/or conditions and/or verbiage which is not contained in this contract, Buyer and Seller will re-execute this contract containing the required Farm Service Agency (FSA), CCC, and/or USDA terms and/or conditions and/or verbiage but using the identical pounds, prices, price formula, or percentages as contained herein.
13. ARBITRATION. Any and all disputes under this contract shall be submitted for arbitration in accordance with Article VIII of the American Peanut Shellers Association Official Trading Rules. Provided, however, the foregoing shall not bar a party from injunctive or other equitable relief from a court of competent jurisdiction when necessary to prevent immediate irreparable harm, preserve the status quo pending resolution of the underlying dispute, or in aid of arbitration, provided that the underlying dispute, if not already submitted to arbitration, is submitted for negotiation and arbitration promptly after the applicable relief. Neither party shall be awarded punitive nor exemplary damages for claims hereunder.
14. DAMAGED PEANUTS. Severn may reject any peanuts delivered hereunder which have any damage due to pitting, freeze or concealed damage.
15. RELEASE FSA RECORDS. Seller hereby grants the applicable Farm Service Agency (FSA) office permission to release all records of Seller's to Severn pertaining to the planted acreage or marketing of peanuts on the farm covered by this contract.
16. POINT OF DELIVERY. Delivery shall be to the Buying Point specified in this contract, unless otherwise approved by Severn.
17. BASIS GRADE. The term "Basis Grade", means that the price per ton shall be adjusted up or down according to the official grade

Exhibit 2

CONTRACT FOR PURCHASE
AND SALE OF FARMER STOCK PEANUTS

NO. _____

BUYER: Severn Peanut Company, Inc. (Severn) P. O. Box 710 Severn, North Carolina 27877CROP YEAR: 2003

DATE: _____

Seller Name & Address:

Seller Name & Address:

Handler Registration No. 37008

FSA State Code _____

County & Code _____

Farm Serial No. _____

Buying Point _____

Special Notes: _____

S.S./Fed. I.D. No. _____

S.S./Fed. I.D. No. _____

Seller Name & Address:

Seller Name & Address:

S.S./Fed. I.D. No. _____

S.S./Fed. I.D. No. _____

FARM PLANTING INTENTIONS Intended Planted Acres: _____
Center Pivot Irrigated _____ Other Irrigated _____ Dryland _____ Total _____ Average Yield Per Acre: _____ Variety _____

Seller understands that Severn is depending upon delivery of the peanuts contracted herein in order to fulfill its contract obligations. Seller warrants that Seller will plant not less than 90% of the intended acreage and shall certify to Severn in writing no later than August 1 of applicable crop year of the actual acreage planted.

IT type _____ Grade Standard _____ Seed Grower YES _____ NO _____ Seed Credit YES _____ NO _____ High Oleic YES _____ NO _____

Seller agrees to sell and Severn agrees to buy on the terms set out in this contract, subject to premium and discount adjustments per the USDA Price Table for 2003 Crop, for the applicable peanut type, the quantity of edible quality peanuts described below.

Delivery Period(s): _____
Price, basis grade: _____ pounds @ \$ _____ per net farmer stock ton.
Option 1. _____ pounds @ \$ _____ per net farmer stock ton above the USDA Marketing Assistance Loan Repayment
Option 2. _____ pounds @ \$ _____ Rate in effect at the time of delivery.
Option 3. _____

LIENS, ASSIGNMENTS OR PRIOR INTERESTS: Seller certifies that there are no liens, crop insurance assignments or prior interests (such as, but not limited to, landlord's liens, landlord's crop share in the peanuts, landlord's crop share in money, FSA, PCA, banks, prior crop contracts, etc.) on the peanuts covered by this contract except as follows (use additional sheets if necessary):

Name of Lienholder/Assignee	Address	Nature of Liens, Assignments or Prior Interests
1. _____	_____	_____
2. _____	_____	_____

1. _____

2. _____

Seller shall promptly notify Severn in writing of any liens, encumbrances or prior interests which may attach to these peanuts prior to payment. Seller authorizes Severn to discharge any and all liens, penalties, charges, or encumbrances out of the payments due hereunder. If peanuts covered by this contract are subject to a crop share in peanut leases with landlord, Seller shall have such landlord join in and acknowledge this contract by signing below. Seller's execution of this contract without such an acknowledgment shall constitute a representation that the peanuts covered by this contract are not subject to a crop share.

THE TERMS AND CONDITIONS APPEARING ON PAGE 2, "TERMS AND CONDITIONS" ARE PART OF THIS CONTRACT. This contract sets the terms and conditions under which Severn is willing to buy from Seller the peanuts designated herein. Seller recognizes that Severn, in reliance on this contract, has made binding commitments with respect to the quantity of peanuts herein contracted, and Seller agrees that it is obligated to deliver such quantity in compliance with the terms and conditions hereunder.

BOTH PARTIES hereto have read and understand the terms and conditions stated on the face of this contract and on Page 2, "Terms and Conditions", and agree to all of said terms and conditions. Both parties hereto intend this instrument to be a bona fide, binding and enforceable contract for the actual delivery of the peanuts herein provided.

SELLER ACKNOWLEDGES that use of dominozides, alachlor, botran, monosodium methanearsonate (MSMA) or any pesticides not specifically labeled for peanuts on the peanuts to be delivered pursuant to this Agreement constitutes a breach of this Agreement.

TERMS AND CONDITIONS

- ENTIRE CONTRACT. This contract constitutes the complete and exclusive agreement between Severn and Seller as to the subject matter hereof, supersedes any and all other agreements, representations, promises, statements or understandings between Severn and Seller as to the subject matter hereof, and may be amended only by written agreement signed by the party to be bound. No oral evidence shall be relevant to supplement or explain this agreement.
2. LOAN REPAYMENT RATE. For purposes of this contract, the Loan Repayment Rate shall be defined as the amount required by producers to satisfy peanut marketing assistance loans with USDA, excluding interest.
3. RIGHT OF FIRST REFUSAL. Seller shall not sell such peanuts to a buyer other than Severn without first offering such peanuts to Severn at a price not greater and upon terms and conditions not less favorable than the terms and conditions, including the cash price, offered in writing and in good faith by a buyer who is a bona fide commercial peanut sheller for such peanuts. Seller shall furnish the written offer to Severn who shall then have a period of 48 hours in which to meet the offer. Should Severn fail to meet the offer within such time, Seller may proceed to sell such peanuts to the other buyer on the basis of the same price, terms and conditions offered to Severn. However, in the event that Seller does not sell such peanuts to the other buyer on the basis of said price, terms and conditions offered to Severn, any subsequent offer to Seller for such peanuts by another buyer must be presented to Severn pursuant to the right of first refusal set forth in this paragraph.
4. ASSIGNMENT. The rights and obligations of Seller may not be assigned or terminated without the consent of Severn. This contract cannot be sold or traded. Furthermore, if the farms specified herein are sold prior to delivery of the peanuts subject to this contract, Seller's obligation to deliver said peanuts hereunder is unaffected. Severn may assign any and all of its obligations hereunder upon notice to Seller.
5. FAILURE TO DELIVER. It is the express bona fide intention of the Seller and Severn that Seller shall actually produce and deliver to Severn the full quantity of peanuts contracted hereunder. If Seller fails to deliver the full quantity of the peanuts as contracted hereunder, for any reason whatsoever, except for a weather-related act of God, Severn may, at its option, cover any undelivered quantity at Seller's expense, and/or exercise any right or remedy which it has under applicable law, including but not limited to, the Uniform Commercial Code as in effect in the State of North Carolina. Severn and Seller agree that they have executed and delivered this contract in contemplation of the particular and unique characteristics and source of peanuts and Severn's own marketing and delivery requirements with respect thereto.
6. NO ADULTERATION. Seller warrants that the peanuts delivered on this contract shall be fit for human consumption and not be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act or be peanuts which may not, under provisions of that Act, be introduced into interstate commerce. Any peanuts not in compliance with the foregoing warranties or any peanuts, irrespective of grade, which are tagged, seized and condemned, declared unfit or otherwise objectionable by any municipal, state, or federal agency shall not be acceptable under this contract and ownership thereof shall remain with Seller. Seller shall pay all costs incurred by Severn with respect to any such peanuts. Seller further warrants that no product containing daminozides, alachlor, botran, or any pesticide not specifically labeled for peanuts, has been used on the peanut plants on which the peanuts were grown. Such use of daminozides, alachlor, botran, monosodium methanearsonate (MSMA) or any pesticides not specifically labeled for peanuts on the peanuts by the Seller shall constitute a breach of Seller's obligations hereunder. Seller will reimburse Severn for any and all costs and expenses incurred as a result of Seller's use of daminozides, alachlor, botran, MSMA, or any other pesticides not specifically labeled for peanuts by Seller. Such use shall constitute a breach of Seller's obligations hereunder. Seller agrees that Severn and/or its representatives shall have access at all reasonable times to examine Seller's acreage on which the peanuts are being grown and shall be permitted to take a reasonable number of plant tissue samples for chemical analysis.
7. SEPARATE DELIVERIES. Seller may make separate deliveries hereunder. As Severn accepts each such delivery, Severn shall pay to Seller an amount for such delivery determined as set forth above. No payment by Severn shall be construed as a waiver of any term or condition of this agreement to be performed by Seller.
8. DIFFERENT GRADES. Severn, at its sole option, may accept delivery of a different kind or grade of peanuts than specified herein, or otherwise not complying with the terms and conditions herein. Any non-complying delivery accepted by Severn shall be at the price herein provided, subject to the USDA Price Table for 2003 Crop premium and discount schedules. Acceptance of any delivery not complying with the terms and conditions of this contract shall not waive any rights or remedies accruing to Severn as a result of such noncompliance nor effect a waiver of any further noncompliance.
9. CHOICE OF LAW. This contract shall be governed by the laws of the State of North Carolina and shall be void unless signed by both parties.
10. FAILURE TO PURCHASE. Severn shall have the right to decline to purchase the peanuts contracted hereunder, in which event Seller's damages shall be limited to the amount, if any, which Severn agreed to pay Seller above the USDA marketing assistance loan repayment rate.
11. ORDER OF DELIVERY. In the event Seller has contracted for the sale of peanuts under separate contracts, Seller will be paid for deliveries of peanuts at the applicable price in the chronological order in which such contracts were signed.
12. UNENFORCEABLE PROVISIONS. In the event any one or more provisions of this contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this contract shall be construed as if such invalid, illegal or unenforceable provision has never been contained herein. Buyer and Seller agree that if, after the execution of this contract FSA, CCC, and/or USDA promulgate regulations or a form of contract requiring specific terms and/or conditions and/or verbiage which is not contained in this contract, Buyer and Seller will re-execute this contract containing the required Farm Service Agency (FSA), CCC, and/or USDA terms and/or conditions and/or verbiage but using the identical pounds, prices, price formula, or percentages as contained herein.
13. ARBITRATION. Any and all disputes under this contract shall be submitted for arbitration in accordance with Article VIII of the American Peanut Shellers Association Official Trading Rules. Provided, however, the foregoing shall not bar a party from injunctive or other equitable relief from a court of competent jurisdiction when necessary to prevent immediate irreparable harm, preserve the status quo pending resolution of the underlying dispute, or in aid of arbitration, provided that the underlying dispute, if not already submitted to arbitration, is submitted for negotiation and arbitration promptly after the applicable relief. Neither party shall be awarded punitive nor exemplary damages for claims hereunder.
14. DAMAGED PEANUTS. Severn may reject any peanuts delivered hereunder which have any damage due to pitting, freeze or concealed damage.
15. RELEASE FSA RECORDS. Seller hereby grants the applicable Farm Service Agency (FSA) office permission to release all records of Seller's to Severn pertaining to the planted acreage or marketing of peanuts on the farm covered by this contract.
16. POINT OF DELIVERY. Delivery shall be to the Buying Point specified in this contract, unless otherwise approved by Severn.
17. BASIS GRADE. The term "Basis Grade" means that the price per ton shall be adjusted up or down according to the official grade

OPTION FOR PURCHASE
OF FARMER STOCK PEANUTS
(WITH PUT OPTION)

NO. _____

OPTIONEE (BUYER IF OPTION EXERCISED):

Severn Peanut Company, Inc. (Severn)

P. O. Box 710

Severn, North Carolina 27877

DATE: _____

CROP YEAR: 2003

Seller Name & Address:

Seller Name & Address:

Handler Registration No. 37008

FSA State Code _____

County & Code _____

Farm Serial No. _____

Buying Point _____

S.S./Fed. I.D. No. _____

S.S./Fed. I.D. No. _____

Seller Name & Address:

Seller Name & Address:

Special Notes: _____

S.S./Fed. I.D. No. _____

S.S./Fed. I.D. No. _____

Peanut Type _____

Grade Standard _____

Seed Grower YES _____ NO _____

Seed Credit YES _____ NO _____

High Oleic YES _____ NO _____

Seller warrants that Seller is the owner of or that he will produce during the current crop year _____ lbs. of Segregation 1 farmer stock peanuts more particularly described above (the "Peanuts").
Severn wishes to obtain an exclusive option to purchase the Peanuts, and Seller is willing, for the consideration stated herein, to grant Severn such exclusive option. Now therefore for and in consideration of the sum of \$100.00 to be paid within 30 days after signing of this option, and the mutual terms and conditions hereof, Seller does hereby grant to Severn the exclusive option to purchase the Peanuts and Severn agrees to the Put Option described in 4.A., below, both on the terms set out below.

1. The purchase price of the Peanuts in the event either Option is exercised shall be \$_____ per net ton, basis/grade for Virginia type peanuts using the USDA Price Table for 2002 Crop Premium and Discount Schedule issued September 6, 2002, less \$100.00.

2. Seller may exercise its Put Option by dating and signing the Put Option Exercise Form available at the buying point, and delivering such form to the Severn buying point identified herein. Seller's exercise of Seller's Put Option shall be effective upon receipt by the buying point. Severn may exercise its Option by giving written notice of its exercise (using the Option Exercise form available at the buying point) to Seller either in person or by U.S. Mail with proper postage affixed and addressed to Seller at the address set out below. The effective date of Severn's exercise of its Option shall be the date of the Option Exercise form.

3. Upon the notice of exercise becoming effective, whether of Seller's Put Option or Severn's Option, Seller shall immediately transfer and deliver to Severn title to and possession of the Peanuts and the original warehouse receipt representing the Peanuts. The sale shall be FOB a USDA approved storage location of the Peanuts.

4. A. During a period beginning on the date 14 days after the date a warehouse receipt has been issued covering the Peanuts and ending at midnight January 31, 2004, Seller shall have the option to require Severn to purchase the Peanuts ("the Put Option") by dating, signing and delivering the Put Option Exercise form to the buying point.

B. Severn may exercise its option at anytime during a period beginning February 1, 2004

8. Seller has full right and title to the Peanuts and agrees to indemnify and hold Severn harmless from and against any claims and encumbrances or adverse claims to the Peanuts that might be asserted by any other party.
7. If the Peanuts should be covered by any prior agreement between the parties hereto, such prior agreement is hereby amended to specifically exclude the Peanuts.
8. Seller warrants the Segregation 1 peanuts covered hereby to be Segregation 1 as defined by USDA, fit for human consumption and not in violation of any provisions of the Federal Food, Drug, and Cosmetic Act, Environmental Protection Agency Regulations and the Federal Insecticide, Fungicide and Rodenticide Act. Seller agrees to indemnify and hold Severn, its employees, agents, officers and directors harmless from all loss or liability, including attorney's fees, incurred by Severn, as a result of Seller's breach of such warranties.
9. Severn may, at its sole option, refuse to purchase from Seller any Segregation 1 peanuts contracted herein having more than 1/4 of 1% damage due to freeze damage as shown on the Form FSA-1007 Inspection Certificate and Sales Memorandum.
10. Seller and Severn agree that they have executed and delivered this Option in contemplation of the limited source or market of Peanuts. Seller acknowledges that Severn has entered or will enter into commitments with other persons in reliance upon Seller's performance hereunder. In recognition of the foregoing and the unique characteristics and source of peanuts, Seller agrees that Severn shall be entitled to, in addition to any other remedy at law or in equity which Severn may have under this Option or otherwise, the remedy of specific performance of Seller's obligations under this Option, and breach or threatened breach of this Option shall entitle Severn to a temporary or permanent restraining order or injunction. Further, Seller, his successors, heirs and permitted assigns, waive any claim or defense that there is an adequate remedy at law for such breach or threatened breach.
11. This Option shall be governed by, and interpreted in accordance with the laws of the State of North Carolina.
12. LIENS, ASSIGNMENTS OR PRIOR INTERESTS: Seller certifies that there are no liens, crop insurance assignments or prior interests (such as, but not limited to, landlord's liens, landlord's crop share in the peanuts, landlord's crop share in money, FSA, PCA, banks, prior crop contracts, etc.) on the peanuts covered by this Option except as follows (use additional sheets if necessary):

Name of Lienholder/Assignee	Address	Nature of Liens, Assignments or Prior Interests
(a) _____	_____	_____
(b) _____	_____	_____

Seller shall promptly notify Severn in writing of any liens, encumbrances or prior interests which may attach to these peanuts prior to payment. Seller authorizes Severn to discharge any and all liens, penalties, charges, or encumbrances out of the payments due hereunder. If peanuts covered by this contract are subject to a crop share in peanut leases with landlord, Seller shall have such landlord join in and acknowledge this contract by signing below. Seller's execution of this contract without such an acknowledgment shall constitute a representation that the peanuts covered by this contract are not subject to a crop share.

13. THE TERMS AND CONDITIONS APPEARING ON PAGE 3, "TERMS AND CONDITIONS", ARE PART OF THIS AGREEMENT. If the Option hereby granted is exercised, thus becoming a contract for purchase and sale of peanuts, this agreement sets the terms and conditions under which Severn is willing to buy from Seller the peanuts designated herein. BOTH PARTIES hereto have read and understand the terms and conditions stated herein and on Page 3, "Terms and Conditions", and agree to all of said terms and conditions. Both parties hereto intend this instrument to be a bona fide, binding and enforceable contract for the actual delivery of the peanuts herein provided, if this option is exercised.

IN WITNESS WHEREOF the respective parties have signed these presents. By executing this agreement, Seller warrants and represents that it has full legal power and authority to deliver and sell for itself and any owner/operator all the peanuts covered by this Agreement and is only the person(s) sharing, as a Seller, in the proceeds from the sale of the peanuts covered by this Agreement.

THIS CONTRACT SHALL NOT BE BINDING ON BUYER UNTIL IT IS EXECUTED BY AN AUTHORIZED FARMER'S STOCK PROCUREMENT EMPLOYEE OF SEVERN PEANUT COMPANY, INC., AS WELL AS BY THE AUTHORIZED AGENT; TWO SIGNATURES OF BUYER ARE REQUIRED.

SEVERN PEANUT COMPANY, INC.

Seller Signature _____

Seller Signature _____

BT: _____
(Authorized Agent)

TERMS AND CONDITIONS

1. **ENTIRE CONTRACT.** This contract constitutes the complete and exclusive agreement between Severn and Seller as to the subject matter hereof, supersedes any and all other agreements, representations, promises, statements or understandings between Severn and Seller as to the subject matter hereof, and may be amended only by written agreement signed by the party to be bound. No parol evidence shall be relevant to supplement or explain this agreement.
2. **LOAN REPAYMENT RATE.** For purposes of this contract, the Loan Repayment Rate shall be defined as the amount required by producers to satisfy peanut marketing assistance loans with USDA, excluding interest.
3. **RIGHT OF FIRST REFUSAL.** Seller shall not sell such peanuts to a buyer other than Severn without first offering such peanuts to Severn at a price not greater and upon terms and conditions not less favorable than the terms and conditions, including the cash price, offered in writing and in good faith by a buyer who is a bona fide commercial peanut sheller for such peanuts. Seller shall furnish the written offer to Severn who shall then have a period of 48 hours in which to meet the offer. Should Severn fail to meet the offer within such time, Seller may proceed to sell such peanuts to the other buyer on the basis of the same price, terms and conditions offered to Severn. However, in the event that Seller does not sell such peanuts to the other buyer on the basis of said price, terms and conditions offered to Severn, any subsequent offer to Seller for such peanuts by another buyer must be presented to Severn pursuant to the right of first refusal set forth in this paragraph.
4. **ASSIGNMENT.** The rights and obligations of Seller may not be assigned or terminated without the consent of Severn. This contract cannot be sold or traded. Furthermore, if the farms specified herein are sold prior to delivery of the peanuts subject to this contract, Seller's obligation to deliver said peanuts hereunder is unaffected. Severn may assign any and all of its obligations hereunder upon notice to Seller.
5. **FAILURE TO DELIVER.** It is the express bona fide intention of the Seller and Severn that Seller shall actually produce and deliver to Severn the full quantity of peanuts contracted hereunder. If Seller fails to deliver the full quantity of the peanuts as contracted hereunder, for any reason whatsoever, except for a weather-related act of God, Severn may, at its option, cover any undelivered quantity at Seller's expense, and/or exercise any right or remedy which it has under applicable law, including but not limited to, the Uniform Commercial Code as in effect in the State of North Carolina. Severn and Seller agree that they have executed and delivered this contract in contemplation of the particular and unique characteristics and source of peanuts and Severn's own marketing and delivery requirements with respect thereto.
6. **NO ADULTERATION.** Seller warrants that the peanuts delivered on this contract shall be fit for human consumption and not be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act or be peanuts which may not, under provisions of that Act, be introduced into interstate commerce. Any peanuts not in compliance with the foregoing warranties or any peanuts, irrespective of grade, which are tagged, seized and condemned, declared unfit or otherwise objectionable by any municipal, state, or federal agency shall not be acceptable under this contract and ownership thereof shall remain with Seller. Seller shall pay all costs incurred by Severn with respect to any such peanuts. Seller further warrants that no product containing daminozides, alachlor, botran, or any pesticide not specifically labeled for peanuts, has been used on the peanut plants on which the peanuts were grown. Such use of daminozides, alachlor, botran, monosodium methanearsonate (MSMA) or any pesticides not specifically labeled for peanuts on the peanuts by the Seller shall constitute a breach of Seller's obligations hereunder. Seller will reimburse Severn for any and all costs and expenses incurred as a result of Seller's use of daminozides, alachlor, botran, MSMA, or any other pesticides not specifically labeled for peanuts by Seller. Such use shall constitute a breach of Seller's obligations hereunder. Seller agrees that Severn and/or its representatives shall have access at all reasonable times to examine Seller's acreage on which the peanuts are being grown and shall be permitted to take a reasonable number of plant tissue samples for chemical analysis.
7. **SEPARATE DELIVERIES.** Seller may make separate deliveries hereunder. As Severn accepts each such delivery, Severn shall pay to Seller an amount for such delivery determined as set forth above. No payment by Severn shall be construed as a waiver of any term or condition of this agreement to be performed by Seller.
8. **DIFFERENT GRADES.** Severn, at its sole option, may accept delivery of a different kind or grade of peanuts than specified herein, or otherwise not complying with the terms and conditions herein. Any non-complying delivery accepted by Severn shall be at the price herein provided, subject to the USDA Price Table for 2003 Crop premium and discount schedules. Acceptance of any delivery not complying with the terms and conditions of this contract shall not waive any rights or remedies accruing to Severn as a result of such noncompliance nor effect a waiver of any further noncompliance.
9. **CHOICE OF LAW:** This contract shall be governed by the laws of the State of North Carolina and shall be void unless signed by both parties.
10. **FAILURE TO PURCHASE.** Severn shall have the right to decline to purchase the peanuts contracted hereunder, in which event Seller's damages shall be limited to the amount, if any, which Severn agreed to pay Seller above the USDA marketing assistance loan repayment rate.
11. **ORDER OF DELIVERY.** In the event Seller has contracted for the sale of peanuts under separate contracts, Seller will be paid for deliveries of peanuts at the applicable price in the chronological order in which such contracts were signed.
12. **UNENFORCEABLE PROVISIONS.** In the event any one or more provisions of this contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this contract shall be construed as if such invalid, illegal or unenforceable provision has never been contained herein. Buyer and Seller agree that if, after the execution of this contract FSA, CCC, and/or USDA promulgate regulations or a form of contract requiring specific terms and/or conditions and/or verbiage which is not contained in this contract, Buyer and Seller will re-execute this contract containing the required Farm Service Agency (FSA), CCC, and/or USDA terms and/or conditions and/or verbiage but using the identical pounds, prices, price formula, or percentages as contained herein.
13. **ARBITRATION.** Any and all disputes under this contract shall be submitted for arbitration in accordance with Article VIII of the American Peanut Shellers Association Official Trading Rules. Provided, however, the foregoing shall not bar a party from injunctive or other equitable relief from a court of competent jurisdiction when necessary to prevent immediate irreparable harm, preserve the status quo pending resolution of the underlying dispute, or in aid of arbitration, provided that the underlying dispute, if not already submitted to arbitration, is submitted for negotiation and arbitration promptly after the applicable relief. Neither party shall be awarded punitive nor exemplary damages for claims hereunder.
14. **DAMAGED PEANUTS.** Severn may reject any peanuts delivered hereunder which have any damage due to pitting, freeze or concealed damage.

PUT OPTION EXERCISE FORM

The undersigned Seller does hereby exercise Seller's Put Option under terms of Option No. _____ dated _____, 20____, between Seller and Severn Peanut Company, Inc.

This exercise is effective this _____ day of _____, 200____ at _____ o'clock A.M./P.M.

Seller (SEAL)

Printed Name of Seller

OPTION EXERCISE FORM

Severn Peanut Company, Inc. does hereby exercise its Option to purchase under the terms of Option No. _____, dated _____, 200____, between Severn Peanut Company, Inc. and _____ (Seller).

This exercise is dated the _____ day of _____, 200____ and effective the date hereof.

SEVERN PEANUT COMPANY, INC.

By: _____ (SEAL)



United States
Department of
Agriculture

MAR - 3 2003

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Avenue, SW
Stop 0512
Washington, DC
20250-0512

TO: Keith H. Weatherly
SED, North Carolina State FSA Office

FROM: Raellen Erickson, Branch Chief *Raellen Erickson*
Compliance Policy and Procedures Branch
Price Support Division

SUBJECT: Request for Beneficial Interest Determination Peanut Contract -
Southern Peanut Company - Your February 14, 2003 E-Mail

We have reviewed the proposed contract titled "Southern Peanut Company, Inc. 2003 Farmers Stock Purchase Option Contract" that was submitted on behalf of Southern Peanut Company, Inc. The intent of our review was to determine whether the producer retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

The contract states that "The date of this agreement will supercede all other contracts, agreements, promises, producer may enter into after the date of this contract. Producer must tender all production to Southern Peanut Company, Inc., until this agreement is satisfied." These terms are unclear and restrict the grower's control and decision making ability over the peanuts.

We are also concerned with the term on the submitted contract that states that "SPC has option to request the producer place peanuts in LOAN and sign over power of attorney to SPC date of FV-95 issue." This term also restricts the grower's control.

The regulations at 7 CFR, Part 1421.5(c)(1), state "To be eligible to receive loans and loan deficiency payments, a producer must have beneficial interest in the commodity that is tendered to CCC for a loan or loan deficiency payment. The producer must always have had the beneficial interest in the peanuts . . ."

Based on our review, producers entering into the proposed contract as submitted, would lose beneficial interest upon signing the contract.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

OK Notice LP(GR)-1682

Southern Peanut Company, Inc. 2003 Farmers Stock Purchase Option

These are "GOOD FAITH" options. Producers must plant acres recorded below and maintain crop using "Good Agricultural Practices" to ensure fulfillment of this agreement. In the event of weather or crop conditions beyond the control of the producer; provided the producer has done all he is able to do to manage these conditions, delivery in full will be waived. The date of this agreement will supercede all other contracts, agreements, promises, producer may enter into after the date of this contract. Producer must tender all production to Southern Peanut Company, Inc. until this agreement is satisfied. It is further mutually agreed this option is for SEG I peanuts.

Early Delivery – Farmers Stock delivery on or before October 21, 2003 (FV-95 date through October 21, 2003) All contracted farmers stock must be delivered in full. Farmers stock not delivered by deadline will revert to "Option 3 – Floor Price"

- ☐ Option 1. "Cap Option" \$ 500.00 net ton less LDP in affect date FV-95 issued. FV-95 date purchase is final. SPC has option to request the producer place peanuts in *LOAN* and sign over power of attorney to SPC date of FV-95 issue. If SPC does not call the loan option prior to delivery, option is not valid.
- ☐ Option 2. "50/50 Option" 50% of 1007 purchased at \$475.00 less LDP in affect date of FV-95; 50% of 1007 purchased at \$ 475.00, producer gets all LDP for 1007. Date FV-95 issued is the date purchase is final.
- ☐ Option 3. "Floor Price" \$ 425.00 net ton to producer. Producer gets all LDP
- Deliver at will** – Farmers Stock delivered and graded (FV-95 date) date of delivery to receiving location.
- ☐ Option 4. "Cap Option" \$ 489.00 net ton less LDP in affect date FV-95 issued. FV-95 date purchase is final.
- ☐ Option 5. "50/50 Option" 50% of 1007 purchased at \$450.00 less LDP in affect date of FV-95; 50% of 1007 purchased at \$ 450.00, producer gets all LDP for 1007. Date FV-95 issued is the date purchase is final.
- ☐ Option 6. "Floor Price" \$ 400.00 net ton to producer. Producer gets all LDP

Over Production - Farmers Stock production over the Lbs. Recorded below will be negotiated at time of delivery. SPC has right of "FIRST REFUSAL" on all such overproduction. Producer Initials

_____ Acres to be planted for this agreement resulting in _____ Lbs. of SEG I Farmers Stock Peanuts (Average Lbs. per acre _____)

Option _____ selected above This _____ day of _____, 2003

Producer Name: _____ Southern Peanut Company, Inc.

Address: _____ (location deliver to)

City: _____

Home Phone: _____ (Location Manager)

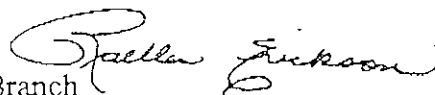
Cell / Business : _____

Signature of Producer: _____ (Southern Peanut Buyer)

TO: Steve Newton
SED, Georgia State FSA Office

FEB 25 2003

FROM: Raellen Erickson, Branch Chief
Common Policy and Procedures Branch
Price Support Division



SUBJECT: Copy of Birdsong 2003 Farmerstock Contract - Your February 10, 2003
E-Mail

In response to the February 10, 2003, e-mail message from Clark Weaver of your office, we have reviewed the contract titled "Option Agreement to Purchase 2003 Crop Peanuts" that was submitted on behalf of Birdsong Peanut Company. The intent of our review of the contract was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

Exhibit 2

OPTION AGREEMENT TO PURCHASE 2003 CROP PEANUTS

No.

This Option to Purchase ("Option") 2003 crop peanuts is entered into this _____ day of _____, 2003, between ("SELLER") and BIRDSONG CORPORATION ("BIRDSONG"). OTHER TERMS AND CONDITIONS ON THE REVERSE SIDE HEREOF ARE A PART OF THIS AGREEMENT.

State Code	County Code	Farm No.	Type Peanut	Net Pounds	Irrigated Acres	Non-Irrigated Acres	Total Acres
------------	-------------	----------	-------------	------------	-----------------	---------------------	-------------

RECITALS:

SELLER is either now the owner of, or warrants that he will produce during the 2003 crop year, _____ net lbs. of Segregation 1 farmer stock peanuts as defined by USDA and described above ("the Peanuts") on the farm(s) described above (the "Farm"). BIRDSONG wishes to obtain an exclusive option to purchase the Peanuts, and SELLER is willing, for the consideration stated herein, to grant BIRDSONG such exclusive option.

1. **OPTION PRICE.** In consideration of the sum of \$ _____ per net ton, SELLER does hereby grant to BIRDSONG the exclusive right to purchase the Peanuts under this Option on the terms stated herein.

2. **PURCHASE PRICE.** The purchase price of the Peanuts in the event BIRDSONG exercises its Option to purchase shall be the USDA repayment rate in effect on the date BIRDSONG exercises its Option for the Peanuts-basis grade per the USDA Price Table File issued 9/06/02 plus \$ _____ per net ton basis grade.

3. **NOTICE OF EXERCISE.** BIRDSONG may exercise this Option by either (i) giving written notice of its exercise to SELLER either in person, via fax or by U.S. Mail with proper postage affixed and addressed to SELLER at the address set out below, or (ii) if SELLER has granted BIRDSONG authority to make repayments and redemptions on SELLER'S behalf, by repaying SELLER'S marketing assistance loan (MAL). If exercise is under (i), the date and time BIRDSONG exercises this Option shall be deemed to be the date and time of the notice of exercise. If exercise is under (ii), the exercise shall be effective upon BIRDSONG'S repaying the MAL on SELLER'S behalf.

4. **DELIVERY.** Upon exercise, SELLER shall immediately transfer or authorize such transfer and deliver to BIRDSONG the original warehouse receipt and possession of the Peanuts. The sale shall be FOB the storage location of the Peanuts unless BIRDSONG exercises this Option prior to storage of the Peanuts in which case the sale shall be FOB the inspection point.

5. **TERM and TERMINATION.**

A. BIRDSONG may exercise this Option at anytime during a period beginning on the date of this Agreement and ending on June 30, 2004.

B. Notwithstanding any other provision of this Option to purchase, title, risk of loss, and beneficial interest in the Peanuts, as specified in 7CFR 1421.6, shall remain with the SELLER until BIRDSONG exercises this Option to purchase the Peanuts. This Option to SELLER shall expire, notwithstanding any action or inaction by either the SELLER or BIRDSONG, at the earlier of:

- (1) the maturity of any Commodity Credit Corporation (CCC) loan that is secured by such Peanuts;
- (2) the date CCC claims title to such Peanuts; or
- (3) such other date as provided in this Option;

6. **LIEN CERTIFICATION.** SELLER certifies and warrants that there are no liens or other interests (such as Landlord's Liens, Landlord's Crop Shares in the Peanuts, Landlord's Crop Share in Money, PCA, FSA, Bank, and prior crop contracts, etc.) on, in or to the Peanuts, except as follows:

Name	Address	Nature of Lien or Other Interest
------	---------	----------------------------------

SELLER agrees to promptly notify BIRDSONG in writing of any other liens, interests, or encumbrances which may hereafter attach to the Peanuts covered by this Agreement. SELLER agrees that all such liens, encumbrances or interests will be fully satisfied prior to delivery of the Peanuts or fully satisfied from the payment to SELLER by BIRDSONG for the Peanuts. SELLER hereby authorizes BIRDSONG to discharge any and all liens, encumbrances or interests from the payments due SELLER pursuant to this Agreement. SELLER agrees to indemnify and hold BIRDSONG harmless from all loss or liability, including attorney's fees, incurred by BIRDSONG if SELLER delivers encumbered Peanuts to BIRDSONG.

7. **REMARKS:** (If there is any conflict between any other provision of this Option and this paragraph "7. Remarks:", the provision in this paragraph "7. Remarks:" shall control.)

SELLER'S Name:
Type or Print Name of Seller if Individual or Partnership
S.S.# or Federal ID#:
Address:

By: _____
Signature of Individual or Authorized Representative of Partnership

Type or Print Name of Seller if Corporation
S.S.# or Federal ID#:
Address:

By: _____
Signature of Authorized Representative
Title:

SELLER'S Name:
S.S.# or Federal ID#:
Address:

Signature: _____

SELLER'S Name:
S.S.# or Federal ID#:
Address:

Signature: _____

SELLER'S Name:
S.S.# or Federal ID#:
Address:

Signature: _____

BIRDSONG CORPORATION
By: _____
Signature of Authorized Representative

Address: P.O. Box 1400, Suffolk, VA 23438-1400

Buying Point Name and No.:

OTHER TERMS AND CONDITIONSA. WARRANTIES

1. SELLER warrants that the Peanuts sold hereunder shall, at the time of the exercise of the Option or sale, be free and clear of all indebtedness, liens, security interests and encumbrances and have not been nor will be contracted or optioned for sale to any other buyer.
2. SELLER has full right and title to the Peanuts and agrees to indemnify and hold BIRDSONG harmless from and against any claims and encumbrances or adverse claims to the Peanuts that might be asserted by any other party.
3. SELLER warrants that the Peanuts are Segregation I and are fit for human consumption and not in violation of any provisions of the Federal Food, Drug and Cosmetic Act, Environmental Protection Agency Regulations and the Federal Insecticide, Fungicide and Rodenticide Act. SELLER agrees not to apply or use any chemicals not specifically approved and labeled for use on peanuts or any chemicals which BIRDSONG from time to time notifies SELLER are not approved by BIRDSONG to be used in connection with peanuts. Should BIRDSONG request it, SELLER agrees to permit BIRDSONG access to inspect SELLER'S crop during the growing season and to take a reasonable number of plant samples for chemical analysis. SELLER agrees to indemnify and hold BIRDSONG, its employees, agents, officers and directors harmless from all loss or liability, including attorney's fees, incurred by BIRDSONG, as a result of SELLER'S breach of such warranties.
4. SELLER warrants that SELLER has the exclusive and sole right to produce the Peanuts on the Farm and the legal power and authority to contract for, sell and deliver the Peanuts. If the Farm is sold prior to delivery of the Peanuts, SELLER'S obligation to deliver the amount of Peanuts covered by this Agreement is unaffected. If SELLER does not grow the Peanuts on the Farm, but grows peanuts on different farm(s), SELLER agrees to sign an Agreement similar to this Agreement for a like quantity of peanuts at the same price.

- B. RIGHT OF FIRST REFUSAL. SELLER hereby gives BIRDSONG the right of first refusal with respect to the purchase of all or any portion of the Segregation I farmer stock peanuts produced on all SELLER'S farms for the 2003 Crop Year, except those peanuts which are subject to a presently existing contract with Birdsong or another bona fide commercial sheller of peanuts for the 2003 crop. A seed sheller shall not be considered a commercial sheller. Pursuant to this paragraph, SELLER shall not sell any peanuts to a buyer other than BIRDSONG without first offering such peanuts to BIRDSONG at a price not greater and upon terms and conditions not less favorable than the terms and conditions offered in writing and in good faith by such buyer for such peanuts. The terms and conditions of SELLER'S offer of first refusal to BIRDSONG shall be in writing. BIRDSONG shall have a period of 72 hours in which to accept SELLER'S offer. Should BIRDSONG fail to accept SELLER'S offer within such time, SELLER may proceed to sell such peanuts to the other buyer on the basis of the same price, terms and conditions offered to BIRDSONG. However, in the event that SELLER does not sell such peanuts to the other buyer on the basis of said price, terms and conditions offered to BIRDSONG, any subsequent offer to SELLER for such peanuts by another buyer must be presented to BIRDSONG pursuant to the right of first refusal set forth in this paragraph.

- C. FREEZE DAMAGED PEANUTS. Birdsong may, at its sole discretion, refuse to purchase from Seller any Segregation I peanuts covered hereby having more than 1/2 of 1% damage due to freeze damage as shown on the Form FSA-1007 Inspection Certificate and Sales Memorandum or similar document.

- D. REIMBURSEMENT OF OPTION PRICE. Should SELLER not produce the poundage of peanuts optioned herein, SELLER shall reimburse BIRDSONG the Option price advanced on the unproduced poundage.

- E. TRANSFERABILITY. This Option shall not be transferable by SELLER without the written consent of BIRDSONG.

- F. RELATIONSHIP. SELLER hereby agrees that this Agreement constitutes an arms length agreement voluntarily entered into by the parties and not an agreement of adhesion. SELLER also agrees that the relationship between SELLER and BIRDSONG is one of seller-purchaser and is not a fiduciary or special relationship.

- G. SUCCESSORS AND ASSIGNS; TIME OF ESSENCE. This Agreement shall be binding on BIRDSONG and SELLER, their successors, heirs and permitted assigns and shall not be modified, whether by course of conduct or otherwise, unless a written amendment is executed by BIRDSONG and SELLER. This Agreement shall be binding upon any subsequent purchaser of the Farm (or any part thereof) where such purchaser has actual, constructive or legal notice of this Agreement. Time is of the essence with respect to each and every term, condition and obligation herein.

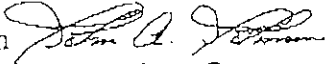
- H. SEVERABILITY. SELLER and BIRDSONG intend this Agreement to be binding and enforceable in all respects. However, if any one or more of the provisions of this Agreement shall be held to be invalid, illegal, or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

- I. MERGER. This writing constitutes the entire Agreement between SELLER and BIRDSONG, terminating and superceding any prior discussions or agreements between SELLER and BIRDSONG with respect to the subject matter hereof. BIRDSONG and SELLER agree to execute any and all other documents necessary to comply with applicable federal law or regulations or state law or regulations. SELLER acknowledges that BIRDSONG and its agents made no representations to induce SELLER to enter this Agreement, except for such representations as may expressly appear herein. This Agreement is entered into voluntarily, with full authority and with full understanding of all terms hereof.

- J. SPECIFIC PERFORMANCE. SELLER and BIRDSONG agree that they have executed and delivered this Agreement in contemplation of the limited source or market of peanuts. SELLER acknowledges that BIRDSONG has entered or will enter into commitments with other parties in reliance upon SELLER'S performance hereunder. In recognition of the foregoing and the unique characteristics and source of peanuts, SELLER agrees that BIRDSONG shall be entitled to, in addition to any other remedy at law or in equity which BIRDSONG may have under this Agreement or otherwise, the remedy of specific performance of SELLER'S obligations under this Agreement, and breach or threatened breach of this Agreement shall entitle BIRDSONG to a temporary or permanent restraining order or injunction. Further, SELLER, his successors, heirs and permitted assigns, waive any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

- K. ACTION AND ATTORNEY'S FEES. Any Claim by SELLER based on or arising out of this Option, the sale and delivery of the Peanuts or otherwise shall be barred unless SELLER commences suit on or before two years from the date such claim accrues (or within the shortest limitations period which applicable law allows). In the event legal action is instituted with respect to this Agreement or any obligations hereunder, the prevailing party shall be entitled to a recovery of reasonable attorney's fees expended in such action, if permitted by law. THIS AGREEMENT IS ACCEPTED BY BIRDSONG IN, SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF VIRGINIA (for Agreements with SELLERS located in the States of VA, NC), THE LAWS OF THE STATE OF GEORGIA (for Agreements with SELLERS located in the States of GA, FL, AL, SC), or THE LAWS OF THE STATE OF TEXAS (for Agreements with SELLERS located in the States of TX, OK, AR or NM).

TO: Jim Reese
SED, Oklahoma State FSA Office

FROM: John A. Johnson  FEB 20, 2003
Deputy Administrator for Farm Programs

SUBJECT: Farmer Stock Option Contract - Your January 28, 2003 E-MAIL

In response to your e-mail message of January 28, 2003, we have reviewed the contract titled "Option for Purchase of Farmer Stock Peanuts" which you submitted on behalf of Golden Peanut Company. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment is received for purchase of the peanuts.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

cc: DAFP:3612-S
PSD:4095-S
PSD:CPPB:4709-S
PSD:CPPB:TWilliams:4089A-S
AL:STO:Joan Grider:FAX 334-279-3550
FL:STO:Debbie:FAX 352-379-4580
GA:STO:Jeannia Satcher:FAX 706-546-2014
LA:STO:Gerard Labbe:FAX:318-473-7735
NC STO: Ralph Price:FAX 919-875-4825
OK:STO:Harold Dick:FAX:405-742-1177
SC:STO:Mack Eubanks:FAX:803-765-5165
TX:STO:Darren Owens:FAX:979-680-5235
VA:STO:Brent Whitlock:FAX:804-287-1723
FSA:PSD:CPPB:TWilliams:720-2270:rg:2-03-03:LP-2-1:PSD-03080

6-20-03



Option for Purchase
Of Farmer Stock Peanuts

No. _____

Golden Peanut Company, LLC (Golden)

100 North Point Center East Suite 400-Alpharetta, GA 30022

Date _____ Crop Year _____

Seller Name & Address: Vendor # _____ Seller Name & Address: Vendor # _____ Delivery Point _____

_____ Initial Inspection Point _____

_____ Collection Point _____

_____ Storage Location _____

S.S./Fed. I.D. # _____ S.S./Fed. I.D. # _____ Convey & Code _____

Seller Name & Address: Vendor # _____ Seller Name & Address: Vendor # _____ Farm Serial No _____

S.S./Fed. I.D. # _____ S.S./Fed. I.D. # _____

Peanut type _____ Grade Standard _____ Seed Grower YES _____ NO _____ High Olds YES _____ NO _____

Seller is now the owner of, or warrants that he will produce during the current crop year, _____ lbs. of Segregation I farmer stock peanuts, more particularly described above ("the Peanuts"). Golden wishes to obtain an exclusive option to purchase the Peanuts, and Seller is willing, for the consideration stated herein, to grant Golden such exclusive option.

Now therefore and in consideration of (i) the sum of \$100.00, to be paid by Golden to Seller within 30 days after the signing of this option and, (ii) \$_____ per ton, basis grade, for each ton of the Peanuts when delivered to the Storage Location less \$100.00, Seller does hereby grant to Golden the exclusive right to purchase the Peanuts on the terms set out below.

1. The purchase price of the Peanuts in the event Golden exercises its option to purchase shall be the USDA repayment rate, basis grade, for the Peanut type in effect on the date Golden exercises this option. Basis grade shall be determined using the USDA Price Table File issued September 6, 2002.

2. Golden may exercise this Option by either (i) giving written notice of its exercise to Seller either in person or by U.S. Mail with proper postage affixed and addressed to Seller at the address set out above, or (ii) if Seller has granted Golden authority to make repayments and redemptions on Seller's behalf, by repaying Seller's marketing assistance loan (MAL) and receiving transfer of the applicable warehouse receipt. If exercise is under (i), the date Golden exercises this option shall be deemed to be the date of the notice of exercise. If exercise is under (ii), the exercise shall be effective upon Golden's repaying the MAL on Seller's behalf.

3. Upon notice of exercise, Seller shall immediately transfer and deliver to Golden the original Warehouse Receipt and possession of the Peanuts. The sale shall be FOB the storage location of the Peanuts unless Golden exercises prior to Storage, in which case the sale shall be FOB the inspection point.

4. A. Golden may exercise this option at anytime during a period beginning on the date hereof and ending on June 30, 20____.
- B. Notwithstanding any other provision of this option to purchase, title, risk of loss, and beneficial interest in the commodity, as specified in 7CFR 1421.6, shall remain with the Seller until Golden exercises this option to purchase the commodity. This option to Seller shall expire, notwithstanding any action or inaction by either the Seller or Golden, at the earlier of:
- (1) the maturity of any Commodity Credit Corporation (CCC) loan that is secured by such commodity;
 - (2) the date CCC claims title to such commodity; or
 - (3) such other date as provided in this option;

5. Seller warrants that the Peanuts sold hereunder shall, at the time of sale, be free and clear of all indebtedness, liens, security interests and encumbrances and have not been nor will be contracted or optioned for sale to any other entity.

6. Seller has full right and title to the Peanuts and agrees to indemnify and hold Golden harmless from and against any claims and encumbrances or adverse claims to the Peanuts that might be asserted by any other party.

7. If the Peanuts should be covered by any prior agreement between the parties hereto, such prior agreement is hereby amended to specifically exclude the Peanuts.

8. Seller warrants the Segregation I peanuts covered hereby to be Segregation I as defined by USDA, fit for human consumption and not in violation of any provisions of the Federal Food, Drug and Cosmetic Act, Environmental Protection Agency Regulations and the Federal Insecticide, Fungicide and Rodenticide Act. Seller agrees to indemnify and hold Golden, its employees, agents, officers and directors harmless from all loss or liability, including attorney's fees incurred by Golden as a result of Seller's breach of such warranties.

9. Seller and Golden agree that they have executed and delivered this Option in contemplation of the limited source or market of the Peanuts. Seller acknowledges that Golden has entered or will enter into commitments with other persons in reliance upon Seller's performance hereunder. In recognition of the foregoing and the unique characteristics and source of peanuts, Seller agrees that Golden shall be entitled to, in addition to any other remedy at law or in equity which Golden may have under this Option or otherwise, the remedy of specific performance of Seller's obligations under this Option, and breach or threatened breach of this Option shall entitle Golden to a temporary or permanent restraining order or injunction. Further, Seller, his successors, heirs and permitted assigns, waive any claim or defense that there is an adequate remedy at law for such breach or threatened breach.

10. THIS OPTION SHALL BE GOVERNED BY, AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA.

This _____ day of _____, 20____.

GOLDEN PEANUT COMPANY, LLC

Seller Signature _____

Seller Signature _____

By: _____
(Authorized Agent)

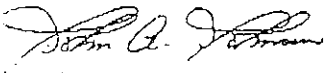
Seller Signature _____

Seller Signature _____

Rev 01-27-03

DEC 13 2002

TO: Steve Newton
SED, Georgia State FSA Office

FROM: John A. Johnson 
Deputy Administrator for Farm Programs

SUBJECT: Collins Bonded Warehouse Option - Your November 18 E-MAIL

We have reviewed the proposed contract titled "Contract for Option to Purchase Peanuts" you submitted for Collins Bonded Warehouse, Inc. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment for purchase of the peanuts is received.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

cc: DAFP:3612-S
PSD:4095-S
PSD:CPPB:4709-S
PSD:CPPB:TWilliams:4089A-S
AL:STO:Joan Grider:FAX 334-279-3550
FL:STO:Debbie:FAX 352-379-4580
GA:STO:Jeannia Satcher:FAX 706-546-2014
MS:STO:Ricky Carnegie:FAX 601-965-4184
~~NC:STO:Ralph Price:FAX 919-875-4825~~
OK:STO:Harold Dick:405-742-1177
TX:STO:Darren Owens:979-680-5235
~~VA:STO:Brent Whitlock:804-287-1723~~

FSA:PSD:CPPB:TWilliams:720-2270:12-6-02:rg:LP-2-1:PSD-485

COLLINS BONDED WAREHOUSE, INC.

CONTRACT FOR OPTION TO PURCHASE PEANUTS

Contract Number: P02- _____

THIS CONTRACT made and entered into on _____
 Warehouse, Inc. as buyer and Seller (or "Producer"):

at Waynesboro, Georgia, between Collins Bonded

IN CONSIDERATION of the mutual promises and obligations contained herein, sufficiency of which is acknowledged, the parties agree as follows:

1. For \$ _____ per ton, and for other good and valuable consideration, Seller contracts to sell and Buyer contracts to buy, an option to purchase Seller's peanuts to be produced on the lands described herein during the crop year 2002. Peanuts covered under this contract are to be processed at Collins Bonded Warehouse and stored at Collins Bonded Warehouse. Buyer acknowledges that the Seller at its sole option may pledge such peanuts to the Commodity Credit Corporation (CCC) as collateral for a Price Support Loan. The said peanuts are described as:

2. The Seller agrees that if the peanuts are pledged to the CCC, Seller authorizes the PSA County Office to release the warehouse receipts for the subject peanuts identified above to the Buyer or its successor in interest upon the payment of the CCC loan indebtedness and all accrued charges relating to the subject peanuts. Seller agrees to execute and deliver to Buyer USA Form 211 giving Buyer Power of Attorney to redeem peanuts from loan.

3. The Seller further agrees not to redeem such peanuts from the CCC loan or to execute another such option in favor of any other person for redemption of such peanuts during the term of this option.

4. Notwithstanding any other provision of this option to purchase, title, risk of loss, and beneficial interest in the peanuts, as specified in 7 CFR Part 1421, shall remain with the producer until the Buyer exercises this option to purchase the peanuts. This option to purchase shall expire, notwithstanding any action or inaction by either the Producer or the Buyer, at the earlier of: (1) the maturity of any Commodity Credit Corporation price support loan which is secured by such commodity; or (2) the date the Commodity Credit Corporation claims title to such commodity; or (3) such other date as provided in this option.

5. Buyer, or its successor in interest in this option to purchase contract agrees that in the event that the peanuts are not redeemed from the loan, it shall reimburse the Seller for related loan program charges not otherwise covered by this agreement.

6. The Buyer acknowledges that the Commodity Credit Corporation's interest in the peanuts shall have priority over the interests of Buyer and its successors in interest.

7. The Seller agrees to notify the Buyer of its election to pledge the peanuts described herein to the CCC within 10 days following grading. In the event the Seller elects not to exercise Seller's option to pledge the peanuts in the CCC, the Seller agrees to promptly notify the Buyer and to deliver the warehouse receipts for said peanuts to the buyer pursuant to the following terms and conditions:

A. Price and Other Terms (including General Terms attached): \$ _____ per ton under USDA's National Posted Price for runner peanuts.

B. All accrued charges (such as receiving and warehouse charges) to date of invoice are to be deducted from payment to seller.

8. Liens or prior interests Seller acknowledges that the following, and only the following liens or prior interests (landlord's lien for cash rent, landlord's crop share, FCS, bank, prior crop contracts, etc.), are in effect against the production from the described acres, to-wit:

(unless stated above, seller warrants that there are NONE.) Seller warrants that Seller will notify all liens. If Seller's described acres are subject to a crop share lease with Seller's landlord, Seller should have Seller's landlord join in signing below for seller's protection, or limit amount in paragraph 1. 1 to tenant's share, inasmuch as Seller absolutely warrants Seller's authority to contract with respect to the entire production described in paragraph 1.

9. It is acknowledged that this contract is accepted by Buyer in the State of Georgia, and shall be governed by and interpreted in accordance with the laws of said State, subject to the United States Arbitration Act, U.S.C. Sec. 1. The peanuts which are the subject of this contract may be shipped from the state of origin in interstate commerce. Should any litigation arise out of or occur in connection with this contract, both parties agree to submit to the jurisdiction of any State or Federal court in the State of Georgia, County of Burke, empowered to hear and determine such dispute. Producer agrees that service of process by a notary public or by the Secretary of State of Georgia by registered or certified mail shall be sufficient to establish personal jurisdiction. In event of breach of this contract by Producer, Producer agrees to pay all court costs, if any, and the reasonable attorney's fees and litigation and arbitration expenses of Buyer.

10. Producer acknowledges that the USDA imposes payment limitation upon USDA Farm Program entitlements, payments, and benefits, and that the above price to be paid on this contract does not take into consideration such limitations. In the event Producer's payment limitation causes the Buyer to pay in excess of the USDA National Prevailing Price (NPP) at time of redemption, then Producer/Seller will promptly reimburse Buyer for Buyer's redemption cost in excess of NPP. It is the intent that the Buyer's redemption price shall not exceed NPP, and that any redemption cost in excess of NPP shall be for Producer's account.

GENERAL TERMS

A. Seller's Obligation to Plant, Harvest, and Deliver: Seller agrees to produce normal good farming methods in the production and harvesting of the crop, to see that the peanuts are harvested in a normal manner and deliver as quickly as practicable after maturity. Seller agrees to use all reasonable efforts to protect the peanuts from damage by exposure or any other cause from the time they are harvested to the time they are delivered to the warehouse.

B. Crop Inspection: Seller agrees to permit Buyer to enter upon the acreage referred to above from time to time in order to inspect the peanuts during the growing and harvesting season.

C. Authority of Contract: If any party is a partnership, tenant-in-common, landlord, joint tenant or corporation or other principal, the person signing for such party warrants his authority to execute this contract and to sell all peanuts specified herein.

D. Breach of Contract: In the event of breach of contract by either party, the party in breach agrees to pay all court costs together with

Exhibit 2

reasonable attorney's fees and expenses of the other party. In addition to any other remedies under applicable law, the Buyer shall have the right to demand acceptance of delivery and payment pursuant to the provisions of this agreement. The Seller hereby submits himself/herself to the jurisdiction of State and Federal Courts sitting in Burke County, Georgia, with respect to any litigation arising from this agreement.

E. Successors and Assigns: This contract shall be binding on each party's successors and assigns and shall run with the land. In the event the Buyer assigns this contract, the buyer will nevertheless remain fully obligated under this Contract.

F. Severability: If any part of this agreement is determined to be illegal, that portion so determined will be deleted from the contract, the remainder of the contract will be enforced.

G. Rules to Govern Performance: The parties agree that, except to the extent that any provision herein is specifically contrary therein, the rules in effect on the date of this contract shall govern the performance of this contract.

H. Prompt Delivery: Seller shall deliver pecanus within 10 business days of Federal State grading.

Seller's initials

Buyer's initials

Seller:

Buyer: COLLINS BONDED WAREHOUSE, INC.

By: _____

By: _____

Witness: _____

Witness: _____

Seller's address:

Buyer's address:

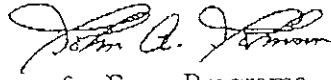
COLLINS BONDED WAREHOUSE, INC.,

532 Myrick Street

Waynesboro, GA 30830

DEC 13 2002

TO: Danny F. Crawford
SED, Alabama State FSA Office

FROM: John A. Johnson 
Deputy Administrator for Farm Programs

SUBJECT: Beneficial Interest Determination for Peanut Contract - Your November 15 FAX

In response to your facsimile of November 15, 2002, we have reviewed the contract titled "Contract for Purchase, Sale, Receipt, Storage, Handling, and Delivery of Farmer Stock Peanuts for 2002 Crop" (Handler Agreement) and the Amendment 6 agreement which you submitted on behalf of Sessions Peanut Company, Inc. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into the Handler Agreement would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced, or
- any payment for purchase of the peanuts is received.

The Amendment 6 agreement as submitted amends sections 2 and 15 of the Handler Agreement. The amendment as submitted would cause producers to lose beneficial interest in the peanuts the earlier of the above dates. However, the amendment had to be agreed upon by all parties in order for CCC to consider the amendment valid before the earlier of harvest of the peanuts or date beneficial interest is considered to have been lost. Therefore, since the peanuts have been harvested for the 2002 crop, producers who signed the submitted amendment lost beneficial interest upon signing the contract.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

No. 1XXX version 9-05-02

STATE OF _____

COUNTY OF _____ SOCIAL SECURITY _____

CONTRACT FOR PURCHASE, SALE,
RECEIPT, STORAGE, HANDLING, AND DELIVERY OF
FARMER STOCK PEANUTS FOR 2002 CROP
(HANDLER AGREEMENT)

THIS IS A LEGALLY BINDING CONTRACT.
IF NOT UNDERSTOOD, SEEK LEGAL ADVICE.

This Agreement, made and entered into this ____ day of ____ 20 ____ between _____ ("GROWER") producing peanuts in _____ County, State of _____, on farm serial number _____, State code No. _____ ("FARM") and Sessions Company Inc., Enterprise, Alabama, an Alabama corporation engaged in the business of purchasing, selling, shelling, storage, handling and processing peanuts from producers for processing and resale to others (herein referred to as "HANDLER").

WITNESSETH:

In consideration of the mutual promises and obligations contained herein, the sufficiency of which is hereby acknowledged, HANDLER and GROWER agree as follows:

1. DEFINITIONS. When used in this Agreement, the terms "County FSA Office" "Base Pounds" "Marketing Loan Rate" "Loan Deficiency Payment (LDP)" "Beneficial Interest" and "Loan Repayment Rate" shall take that meaning as defined in 7 CFR Part 1446, General Regulations Governing 2002 Through 2007 Crops Peanut Warehouse Storage-Loans and Handler Operations, and 7 CFR Part 729 contained in the Code of Federal Regulations or such other Rules and Regulations that may be issued to implement The Farm Security and Rural Investment Act of 2002. HANDLER and GROWER further acknowledge that at the time of this Agreement, the Rules and Regulations either have not been published or have been published so recently that neither party has full knowledge of such Rules and Regulations. In the event any Rules and Regulations conflict with the terms of this Agreement, HANDLER will in good faith take such steps as are necessary to conform this Agreement with the Rules and Regulations.

2. PURCHASE AND SALE OF PEANUTS. GROWER and HANDLER may from time to time agree that HANDLER will purchase peanuts or may obtain Right of First Refusal under Exhibit 1 to this agreement and in accordance with Section 15 will execute Exhibit 1 at various times. Each amendment on Exhibit 1 will be considered a part of this entire agreement.

3. CHANGE IN MARKETING LOAN RATE. If the loan rate in effect at the time of delivery of peanuts under this Agreement shall differ from the effective 2002 Loan Rate of

recondition peanuts to meet Segregation 1 standards, or to promptly remove such peanuts from HANDLER's facilities.

g) HANDLER shall assess In Fee, Storage, Out Fee and Shrinkage Allowance at the time of Load Out and shall retain a lien, statutory or otherwise, on the peanuts that are the subject of this agreement until such charges have been paid. HANDLER shall be allowed to assert this lien against any proceeds GROWER may receive from any buyer or from CCC Loan proceeds.

5. COLLECTION OF GROWER FEES. GROWER agrees that certain statutory and non-statutory fees may be deducted from GROWER's settlement which will include but not limited to the following:

Federal State Inspection Fee:

Georgia	\$5.20 per ton
Alabama	\$5.00 per ton
Florida	\$5.25 per ton

State Peanut Producers Check off

Georgia	\$2.00 per ton
Alabama	\$2.50 per ton
Florida	\$3.00 per ton

Promotion Assessment: 1% of market value

6. LIENS OR PRIOR INTEREST. GROWER certifies that there are no liens or prior interest (such as Landlord's Crop Shares in the peanuts, Landlord's crop Shares in money, PCA, bank, prior crop contracts, etc.) on the peanuts to be produced on the farm defined above, except as follows:

(If additional space is needed, attach a separate sheet.)

NAME	ADDRESS	NATURE OF LIEN OR PRIOR INTEREST
------	---------	----------------------------------

GROWER agrees to indemnify and hold harmless HANDLER for any claims, demands, or causes of action of lien holder.

7. BENEFICIAL INTEREST: GROWER shall retain all beneficial interest in the peanuts up until such time as title to the peanuts is actually transferred to HANDLER, warehouse receipts delivered to HANDLER or payment received by GROWER. Until that time GROWER retains title to the peanuts and the risk of loss remains with GROWER.

LOAD OUT-GROWER may elect at its option to Load Out and take possession of peanuts. GROWER shall submit a written request to Load Out the peanuts described in this Agreement and at the time of request make payment to HANDLER of all fees and expenses. HANDLER shall Load Out the requested peanuts within ten (10) business days of such request.

HANDLER shall calculate the quantity loaded out for purposes of Section 4(d) and 4(e) by grading the peanuts to establish SMK in the same manner as when the peanuts were received. GROWER shall pay any inspection charges associated with LOAD OUT.

8. INSURANCE. HANDLER shall maintain an insurance policy or policies which provide an aggregate amount of at least \$2,000,000 per occurrence for loss or damage to any of its storage facilities where GROWER's peanuts might be stored according to this agreement. In the event of loss, indemnity shall be payable to GROWER.

9. FORCE MAJEURE. If either HANDLER or GROWER shall be unable to perform any of its respective obligations under this Agreement by reason of fire, flood, strike, acts of God, riots or civil disorders, unavoidable casualty, or governmental order or state of war, or any cause beyond the control of either party which prevents GROWER from delivering, or HANDLER from receiving or storing for processing in HANDLER's warehouse, peanuts to be purchased and sold pursuant hereto such obligations in this Agreement shall be suspended during the period required to remove such cause, or, excused in full where to do otherwise would be unconscionable and contrary to the true intent of the parties hereto.

Provided however, in the event GROWER is unable to deliver all the peanuts required pursuant to paragraph 2 of this Agreement, GROWER agrees to deliver the quantity so produced as specified herein.

In no event shall HANDLER or GROWER be required to satisfy any of its respective obligations hereunder with peanuts produced during a crop year other than the crop year specified at the beginning of this Agreement.

10. AUTHORIZATION. GROWER's signature to this Agreement constitutes a written authorization which shall cause the County FSA Office to make available to HANDLER the Farm Production Records pertaining to the aforesaid FARM to confirm farm production for the 2002 crop year if such records are requested by HANDLER.

GROWER by his signature below specifically authorizes and requests the County ASCS office to make available to HANDLER ASCS Form 578 (certified acres) and Form 156 (farm history).

11. PROHIBITED CHEMICALS. GROWER agrees to use only those chemicals, including, but not limited to fungicides, herbicides, insecticides, and nematicides, approved by all State and Federal Regulatory agencies, including but not limited to USDA, FDA, and EPA, on such peanuts. GROWER further agrees that such chemicals used on such peanuts will be approved in the State(s) where they are grown and that proper, recommended label practices, including but not limited to dosage, handling, and use will be followed. In the event GROWER fails to comply with this provision, HANDLER may at its option:

- A. Enforce the same by decree of specific performance;
- B. Terminate this Agreement without any further liability; or,
- C. Pursue such other remedies as may be available to it, including but not limited to an action for damages under applicable law.

GROWER certifies no LASSO (or other ALACHLOR) or KYLAR (or other DAMINOZIDE) has been or will be applied to the peanuts sold on this Agreement.

12. OTHER PROVISIONS. This Agreement document constitutes an offer by

GROWER and is not binding on HANDLER until signed by an officer of Sessions Co. Inc. The invalidity or unenforceability of any right, power, or remedy granted hereunder shall not affect the validity or enforceability of any other right, power or remedy hereunder. This Agreement is accepted by HANDLER in the State of Alabama and shall be governed and interpreted in accordance with the laws of said State. The parties hereto agree that jurisdiction and venue will be proper in Coffee County, and that all judicial proceedings to enforce any of the provisions of this agreement shall take place in Enterprise Division, Enterprise, Coffee County, Alabama.

GROWER and HANDLER agree that they have executed and delivered this Agreement in contemplation of the particular and unique characteristics and source of requirements with respect thereto and that HANDLER shall be entitled to the remedy of specific performance of GROWER's obligations under this Agreement to sell and deliver peanuts and any other remedies provided by law or equity.

GROWER certifies that the above defined FARM is at present owned, operated or leased by GROWER and that such ownership, operation or leasehold is at present recognized by the FSA office for the county in which FARM is located. GROWER also certifies that it has full and complete authority from any other principal, co-lessor, partner or party in interest to so contract, obligate and bind the Farmer Stock Peanuts produced on the above defined Farm.

GROWER and HANDLER agree that this Agreement provides no commitment by HANDLER to store peanuts, rather it governs the terms of those peanuts which HANDLER might store.

13. WAREHOUSE AGREEMENT AND RECEIPTS. This Agreement shall not be used as a warehouse receipt and does not constitute a "Negotiable Warehouse Receipt" within definitions of The Code of Alabama 1975 Section 7-7-104. HANDLER may issue a warehouse receipt to GROWER after HANDLER receives permission from applicable Governmental agencies to do so. The warehouse receipt that is issued may be negotiable or non-negotiable. If a negotiable receipt is issued, GROWER shall indemnify and hold harmless and may be required to furnish a bond to HANDLER if GROWER for any reason subsequent to issuance of a negotiable receipt requires an additional receipt.

14. SUCCESSORS AND ASSIGNS. The rights and obligations under this Agreement shall be binding upon and inure to the benefit of the successors, assigns and legal representatives of the parties hereto, and shall be binding upon any subsequent purchaser of the FARM (or any part thereof) having actual, constructive or legal notice of this Agreement, with or without notice to GROWER, whether as security or otherwise, and any assignee of HANDLER shall be entitled to enforce all of HANDLER's rights and remedies hereunder.

15. MERGER CLAUSE. Time is of the essence of each and every term, condition and obligation of this Agreement. By their signatures the parties acknowledge that they have carefully read and fully understand the terms and provisions contained in this Agreement which represents the sole and entire agreement between the parties with respect to the

OK Notice LP(GR)-1682

subject matter hereof and that no representations have been made or implied. It is further understood that there shall be no modification of this Agreement, whether by course of dealing or otherwise, except in writing. Each party hereto, by executing this Agreement, releases and disclaims any consequences of any representation, agreement, promise, or stipulation, made by either party to the other that are not contained in this Agreement or that may be claimed to have induced the other party to sign this Agreement.

NOTICE TO GROWER: Do not sign this Agreement before you read it or if it contains any blank space. You are entitled to an exact copy of the Agreement you sign.

CAUTION: It is important that you thoroughly read the Agreement before you sign it.

Witness our signatures as of the day and year first written:

HANDLER:
Sessions Company, Inc.
P.O. Box 1310
Enterprise, Alabama 36331
An Alabama Corporation
Handler #01016

By:-----
Officer

Planted Acreage ____
Historical Yield ____

GROWER:
Producers Name -----
and address -----

I have read and fully understand the
terms and conditions of the above
agreement.

By:-----
Authorized Representative

Operators Name -----
and Address -----

I have read and fully understand the
terms and conditions of the above
agreement.

By:-----

EXHIBIT 1

This exhibit shall be considered an amendment to the Handler Agreement between GROWER and HANDLER dated _____ and numbered _____ in accordance with the provisions of Section 2 and Section 15 of that Agreement and incorporates by reference all of the terms of that Agreement.

1. PURCHASE, STORAGE AND SALE OF PEANUTS. On the terms and conditions set forth below, HANDLER agrees to purchase and GROWER agrees to store with or sell and deliver to HANDLER as set forth below; Farmer Stock Runner (Type), Segregation I Peanuts produced on FARM during the 2002 crop year, all of which shall be delivered or presented for storage at _____ Buying Point immediately after harvest but not later than December 1, 2002 provided, however, HANDLER reserves the right to waive the December 1, 2002 deadline as to those peanuts subject to this Agreement not harvested and delivered on said date, in the sole discretion of HANDLER.

IMPORTANT
THE BELOW GRID CONTAINS THE QUANTITY WHICH IS CONTRACTED
TO BE STORED OR DELIVERED AND THE PRICE TO BE PAID.

Column 2 Estimated Pounds	Column 4 Price (Basis 2002)	Column 5 Paragraph 2
1 _____	_____	_____
2 _____	_____	_____
3 _____	_____	_____

The sequence in which the above columns are completed shall determine the order in which the peanuts are to be stored or sold upon delivery.

a. Column 2 determines the pounds of peanuts to be stored or delivered of the type and at the price specified on that row. The pounds shown in column 2 are an estimate of the actual 2002 Pounds.

b. Column 4 determines the price to be paid for the type and pounds specified on that row. HANDLER shall pay to GROWER in return for delivery of peanuts shown on each row, a price calculated by multiplying the percent of Marketing Loan Rate shown on that row times the Marketing Loan Rate for Peanuts as shown on the Form ASCS 1007 Inspection Certificate representing such peanuts. For purposes of this Agreement, the Marketing Loan Rate shall mean the Marketing Loan Rate of \$355.72 per net weight ton (runner type) effective for the 2002 crop.

2. RIGHT OF FIRST REFUSAL. GROWER hereby gives HANDLER a right of first refusal with respect to the purchase of any portion of the Segregation I Farmer Stock

Peanuts which constitute peanuts contracted in the corresponding row. GROWER shall not sell or contract to sell any peanuts covered by the right of first refusal to any party other than HANDLER without first offering to sell or contracting to sell such peanuts to HANDLER at a price not greater and upon terms and conditions not less favorable than the price and terms and conditions offered in good faith by such other party for such peanuts.

HANDLER shall have a period of 48 hours following notification by GROWER of any such offer to GROWER, to accept or reject the above referenced peanuts. If this paragraph 2 is deemed by FSA to violate Beneficial Interest, then this paragraph will not apply.

Notwithstanding any other provision of this option to purchase; title, risk of loss, and beneficial interest in the commodity, as specified in 7 CFR 1421 (for wheat, feed grains, oilseeds, rice and farm-stored peanuts), shall remain with the producer until the buyer exercises this option to purchase commodity. This option to purchase the commodity shall expire, notwithstanding any action by either the producer or the buyer, at the earlier of: (1) the maturity of any Commodity Credit Corporation loan which is secured by such commodity; (2) the date the Commodity Credit Corporation is secured by such commodity; or (3) such other date as provided in this option.

3. RIGHT OF OFFSET- GROWER agrees that HANDLER shall have a right of offset from funds due GROWER on peanuts purchased under the terms of this Exhibit against charges due to HANDLER for services rendered including drying charges and warehouse and storage charges as further set out in paragraph 4(g) of the Agreement.

4. PRIOR SALES. Other than sales or contracts for sale with HANDLER, GROWER warrants that it has not made, and agrees that it will not hereafter make, any sales or contracts for sale of any Farmer Stock Segregation I Peanut to be produced on FARM for the 2002 crop year, either (i) which have been or are to be filled prior to the sale and delivery to HANDLER of the full quantities of peanuts contracted in section 2 above or (ii) to which HANDLER's right of first refusal applies under Exhibit 1, section 2, except as follows:

Purchaser:	Contract Date:	Quantity:
_____	_____	_____

5. INDEPENDENT DECISION- GROWER agrees that any decision in regards to Marketing Loan, LDP, or other Farm Program related activity is made independently by GROWER. GROWER agrees that he has not relied on any advice, recommendations or other information that he might have obtained from any representative of HANDLER in reaching his marketing decision.

NOTICE TO GROWER: Do not sign this Agreement before you read it or if it contains any blank space. You are entitled to an exact copy of the Agreement you sign.

CAUTION: It is important that you thoroughly read the Agreement before you sign it.

Witness our signatures as of the day and year first written:

OK Notice LP(GR)-1682

AMENDMENT 6

version 11142002

This exhibit shall be considered an amendment to the Handler Agreement between GROWER and HANDLER dated _____ and numbered _____ in accordance with the provisions of Section 2 and Section 15 of that Agreement and incorporates by reference all of the terms of that Agreement.

1. **PURCHASE AND SALE OF PEANUTS.** On the terms and conditions set forth below, GROWER agrees to complete and execute the following U.S. Department of Agriculture Form:

Form FSA-211 "Power of Attorney"

and deliver Form FSA-211 to HANDLER covering _____ pounds of Farmer Stock Runner (Type), Segregation I Peanuts produced on FARM during the 2002 crop year. HANDLER agrees to pay GROWER an option premium of \$25 per ton at the time that the completed Form 211 and this Amendment are completed and returned to HANDLER.

Notwithstanding any other provision of this option to purchase, title, risk of loss, and beneficial interest in the commodity, as specified in 7 CFR 1421.6, shall remain with the producer until the buyer exercises this option to purchase the commodity. This option to purchase shall expire, notwithstanding any action or inaction by either the producer or the buyer, at the earlier of:

- (1) The maturity of any Commodity Credit Corporation (CCC) loan that is secured by such commodity;
- (2) The date CCC claims title to such commodity; or
- (3) such other date as provided in the option.

2. The Handler Agreement provides in paragraph 4 for Storage Charges and Shrink Allowance in connection with the storage of the above peanuts. As further consideration for this agreement, when Handler exercises this option, Handler will waive any Storage Charge or Shrink Allowance to be collected directly from GROWER. Handler retains the right to collect any In Charge and Monthly Storage charge from FSA up until the time this option is exercised and HANDLER redeems the Marketing Loan. At the time HANDLER redeems the Marketing Loan, HANDLER will reimburse GROWER for the Shrink Allowance difference between the amount of peanuts covered by the Warehouse Receipt and the amount of peanuts covered by the corresponding FSA-1007 on the same load.

3. **RIGHT OF OFFSET.** GROWER agrees that HANDLER shall have a right of offset from funds due GROWER on peanuts purchased under the terms of this Exhibit against charges due to HANDLER for services rendered including drying charges and warehouse and storage charges as further set out in paragraph 4(g) of the Agreement.

4. **INDEPENDENT DECISION.** GROWER agrees that any decision in regards to Marketing Loan, LDP, or other Farm Program related activity is made independently by GROWER. GROWER agrees that he has not relied on any advice, recommendations or other information that he might have obtained from any representative of HANDLER in reaching his marketing decision. GROWER acknowledges that he understands the LDP payment can and likely will change from week to week.

5. **PRIOR AGREEMENTS.** GROWER warrants that he has not made, and agrees that it will not hereafter make, any agreements to execute Form FSA-211 for the benefit of any other party concerning the peanuts which are subject to this agreement. GROWER and HANDLER acknowledge that GROWER may have signed sales agreements for other peanuts produced on this farm, but which are not the subject of this agreement.

6. **GROWER FEES.** GROWER acknowledges liability for State Peanut Producers Check Off and Promotion Assessment as outlined in Paragraph 5 of the Handler Agreement.

NOTICE TO GROWER: Do not sign this Agreement before you read it or if it contains any blank space. You are entitled to an exact copy of the Agreement you sign.

CAUTION: It is important that you thoroughly read the Agreement before you sign it.

Witness our signatures as of the day and year first written:

Sessions Company, Inc.

Grower

NOV 8 2002

NOV 13 2002

TO: Keith Weatherly
SED, North Carolina State FSA Office

FROM: John A. Johnson /s/ Diane Sharp
Deputy Administrator for Farm Programs

SUBJECT: Request for Beneficial Interest Determinations Peanut Contracts - Your October 9 FAX

We have reviewed your requests for beneficial interest determinations on the Contract for Purchase of Farmer Stock Peanuts, dated October 1, 2002, you submitted on behalf of Jimbo's Jumbos Peanuts and The Contract for Purchase and Sale of Farmer Stock Peanuts you submitted on behalf of the Golden Peanut Company. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a CCC marketing assistance loan or LDP.

Producers entering into the above contracts would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from loan provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of the date:

- title transfers from seller to buyer
- warehouse receipts are delivered to the buyer
- the peanuts are invoiced
- any payment is received for the peanuts

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

cc: FSA:DAFP:3612-S
FSA:PSD:4095-S
PSD:CPPB:TWilliams:4089 A-S
PSD:CPPB:4709-S
AL:STO:Joan Grider:FAX 334-279-3550
FL:STO:Debbie:FAX 352-379-4580
GA:STO:Jeannia Satcher:FAX 706-546-2014
NC STO: Ralph Price:FAX 919-875-4825
NM:STO:Mark:FAX 505-766-1805
OK:STO:Harold Dick:FAX 405-742-1177
SC:STO:Mack Eubanks:FAX 803-765-5165
TX:STO:Darren Owens:FAX 979-680-5235
VA:STO:Brent Whitlock:FAX 804-287-1723

FSA:PSD:CPPB:TWilliams:720-2270-11-01-02: :LP-2-1:PSD-425



NOV 8 2002

United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Avenue, SW
Stop 0512
Washington, DC
20250-0512

TO: Keith Weatherly
SED, North Carolina State FSA Office

FROM: John A. Johnson *Liane Sharp, for*
Deputy Administrator for Farm Programs

SUBJECT: Beneficial Interest Determination - Your October 9 FAX

We have reviewed the contract titled "Contract for Purchase of Farmer Stock Peanuts" which you submitted on behalf of Jimbo's Jumbos Peanuts. The intent of our review was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a CCC marketing assistance loan or LDP.

Based on our review, producers entering into the contract as submitted, would lose beneficial interest upon signing the contract. Part 3 of the contract reserves the right for the buyer to require the seller to place the contracted peanuts into the government loan program, thereby, removing control of the commodity from the producer.

If you have any questions, please contact Toni Williams in PSD at (202) 720-2270.

CONTRACT FOR PURCHASE OF FARMER STOCK PEANUTS
JIMBO'S JUMBOS PEANUTS **P.O. BOX 550** **WINDSOR, NC 27983**

DATE _____ CONTRACT NO. _____

SELLER NAME & ADDRESS _____ SELLER NAME & ADDRESS _____

CROP YEAR: 2002

FSA STATE CODE: _____

COUNTY CODE: _____

FARM NUMBER: _____

BUY POINT NO.: _____

FED I.D. OR SSN _____ FED I.D. OR SSN _____

SELLER NAME & ADDRESS _____ SELLER NAME & ADDRESS _____

FED I.D. OR SSN _____ FED I.D. OR SSN _____

A. **INFORMATION**
 Certified Planted Acreage _____ acres times Expected Yield Per Acre _____ pounds/acre
 equals _____ pounds of Total Expected Production

Grade Standard: Reg 1 Peanut Type: Virginia
 Subject to Seed Exchange Agreement? Yes _____ No _____

B. AGREEMENT TO PURCHASE AND SELL

Seller agrees to sell and JIMBO'S JUMBOS PEANUTS (hereinafter JJP) agrees to buy on the terms set out in this contract, for the applicable peanut type, the quantity of peanuts described below, with all pricing subject to the schedule of premiums and discounts set forth on the finally adopted USDA Price Table for 2002 Crop. The prices set forth in subsection B(1) and B(2) below are for peanut Grade Standard for Reg 1 peanuts only.

Price, Bask Grade: _____ pounds @ _____ per net farmer stock ton.

PART 2. _____ pounds @ _____ per net farmer stock ton above the lower of:

- the USDA Loan Repayment Rate (which may change weekly), or
- the USDA Marketing Assistance Loan Rate (which is a maximum of \$333.66)

in effect at the time of delivery.

The price for the peanuts delivered under this subsection shall not be greater than \$ _____ per net ton, in any event.

PART 3. In addition to the poundage quantity contracted above between Seller and Buyer, Seller also hereby gives Buyer the right and option to purchase and/or handle any other peanuts (Sequestration 1, 2, or 3) produced from the aforesaid farm above, the amounts set forth in subsection B(1) and B(2) above, at the market price at the time of delivery. If Seller and Buyer cannot agree as to the market price at time of delivery, Seller shall have the right to follow the provisions set forth in Section 21 on page two hereof regarding Buyer's Right of Refusal.

Peanuts contracted above in subsection B(1) and B(2) shall be delivered immediately after harvest, and contracted peanuts shall be delivered first, before any unpriced peanuts can be marketed.

The obligation of right to purchase hereinaabove shall be construed to include the right of Buyer to handle said peanuts, and the Buyer reserves the right to require Seller to place contracted peanuts into the government loan program, provided that Seller shall receive from JJP the difference between the USDA Marketing Assistance Loan and the contractual price.

C. **LIENS, ASSIGNMENTS OR PRIOR INTERESTS:** Seller certifies that there are no liens, crop insurance assignments or prior interests (such as, but not limited to, landlord's liens, landlord's crop share in the peanuts, landlord's crop share in money, FSA, PCA, bank, prior crop contracts, etc.) on the peanuts covered by this contract except as follows (use additional sheets if necessary):

Name of Lender/Assignee	Address	Nature of Liens, Assignments or Prior Interests
1. _____	_____	_____
2. _____	_____	_____

Seller shall promptly notify JJP in writing of any liens, encumbrances or prior interests which may attach to these peanuts prior to payment. Seller authorizes JJP to discharge any and all liens, penalties, charges, or encumbrances out of the payments due hereunder. If peanuts covered by this contract are subject to a crop share in peanut leases with landlord, Seller shall have such landlord join in and acknowledge this contract by signing below. Seller's execution of this contract without such an acknowledgment shall constitute a representation that the peanuts covered by this contract are not subject to a crop share.

D. **THE TERMS AND CONDITIONS APPEARING ON PAGE 2, "TERMS AND CONDITIONS", ARE PART OF THIS CONTRACT.** This contract sets the terms and conditions under which JJP is willing to buy from Seller the peanuts designated herein. Seller recognizes that JJP, in reliance on this contract, has made binding commitments with respect to the quantity of peanuts herein contracted, and Seller agrees that it is obligated to deliver such quantity in compliance with the terms and conditions hereunder.

E. BOTH PARTIES hereto have read and understand the terms and conditions stated on the face of this contract and on Page 2, "Terms and Conditions", and agree to all of said terms and conditions. Both parties hereto intend this instrument to be a bona fide, binding and enforceable contract for the actual delivery of the peanuts herein provided.

F. SELLER ACKNOWLEDGES that use of dieldrin, alachlor, boltran, monosodium methanearsonate (MOMA) or any pesticides not specifically labeled for peanuts on the peanuts to be delivered pursuant to this Agreement constitutes a breach of this Agreement.

IN WITNESS WHEREOF the respective parties have signed these presents. By executing this agreement, Seller warrants and represents that it has full legal power and authority to deliver and sell for itself and any owner/operator all the peanuts covered by this Agreement and is only the person(s) sharing, as a Seller, in the proceeds from the sale of the peanuts covered by this Agreement.

This contract shall not be binding on Buyer until it is executed by an authorized Farmer's Stock Procurement Employee of JIMBO'S JUMBOS PEANUTS.

Seller Signature _____	Seller Signature _____	BY: _____ (Authorized JIMBO'S JUMBOS Agent)
Seller Signature _____	Seller Signature _____	BY: _____ (Farmer Stock Procurement Employee)

Land/Operator: This to Jimbo's Jumbo Peanut, Inc. of peanuts by this contract is hereby acknowledged, confirmed and approved, and undersigned landlord hereby waives any rights to assert or enforce against Jimbo's Jumbo Peanuts, Inc. any liens, crop share or other rights or interests in any such peanuts.

(Landlord) Operator: _____
 Rev. 9/18/92

Date: _____

TERMS AND CONDITIONS

1. **ENTIRE CONTRACT.** This contract constitutes the complete and exclusive agreement between JJP and Seller as to the subject matter hereof, supersedes any and all other agreements, representations, promises, statements or understandings between JJP and Seller as to the subject matter hereof, and may be amended only by written agreement signed by the party to be bound. No oral evidence shall be relevant to supplement or explain this agreement.
2. **ASSIGNMENT.** The rights and obligations of Seller may not be assigned or terminated without the consent of JJP. This contract cannot be sold or traded. Furthermore, if the terms specified herein are sold prior to delivery of the peanuts subject to this contract, Seller's obligation to deliver said peanuts hereunder is unaffected. JJP may assign any and all of its obligations hereunder upon notice to Seller.
3. **FAILURE TO DELIVER.** It is the express bona fide intention of the Seller and JJP that Seller shall actually produce and deliver to JJP the full quantity of peanuts contracted hereunder. If Seller fails to deliver the full quantity of the peanuts as contracted hereunder, for any reason whatsoever, except for a weather-related act of God, JJP may, at its option, recover any undelivered quantity at Seller's expense, and/or exercise any right or remedy which it has under applicable law, including but not limited to, the Uniform Commercial Code as in effect in the State of North Carolina. JJP and Seller agree that they have executed and delivered this contract in contemplation of the particular and unique characteristics and source of peanuts and JJP's own marketing and delivery requirements with respect thereto. Seller hereby agrees that no other contract has been or will be entered into with another Buyer or Producer for 2002 farmer stock peanuts produced on the aforesaid farm, and that breach of this provision would cause substantial damage to Buyer.
4. **NO ADULTERATION.** Seller warrants that the peanuts delivered on this contract shall be fit for human consumption and not be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act or be peanuts which may not, under provisions of that Act, be introduced into interstate commerce. Any peanuts not in compliance with the foregoing warranties or any peanuts, irrespective of grade, which are tagged, seized and condemned, declared unfit or otherwise objectionable by any municipal, state, or federal agency shall not be acceptable under this contract and ownership thereof shall remain with Seller. Seller shall pay all costs incurred by JJP, with respect to any such peanuts. Seller further warrants that no product containing dieldrin, alachlor, botan, or any pesticide not specifically labeled for peanuts, has been used on the peanut plants on which the peanuts were grown. Such use of dieldrin, alachlor, botan, monodrin, methidathion (MMA) or any pesticides not specifically labeled for peanuts on the peanuts by the Seller shall constitute a breach of Seller's obligations hereunder. Seller will reimburse JJP for any and all costs and expenses incurred as a result of Seller's use of dieldrin, alachlor, botan, MMA, or any other pesticides not specifically labeled for peanuts by Seller. Such use shall constitute a breach of Seller's obligations hereunder. Seller agrees that JJP and/or its representatives shall have access at all reasonable times to examine Seller's acreage on which the peanuts are being grown and shall be permitted to take a reasonable number of plant tissue samples for chemical analysis. JJP shall pay to Seller an amount for such delivery determined as set forth above. No payment by JJP shall be construed as a waiver of any term or condition of this agreement to be performed by Seller.
5. **DIFFERENT GRADES.** JJP, at its sole option, may accept delivery of a different kind or grade of peanuts than specified herein, or otherwise not complying with the terms and conditions herein. Acceptance of any delivery not complying with the terms and conditions of this contract shall not waive any rights or remedies accruing to JJP as a result of such noncompliance nor effect a waiver of any further noncompliance.
6. **CHOICE OF LAW.** This contract and the rights and liabilities of the parties under it shall be governed by the law of the State of North Carolina. The site of any litigation shall be a state or federal court in North Carolina. In the event legal proceedings are necessary to enforce any obligations hereunder, the prevailing party shall be entitled to recover a reasonable attorney's fee plus costs and litigation expenses expended in such action.
7. **FAILURE TO PURCHASE.** JJP shall have the right to decline to purchase the peanuts contracted hereunder, in which event Seller's damages shall be limited to the amount, if any, which JJP agreed to pay Seller above the USDA marketing assistance loan repayment rate.
8. **ORDER OF DELIVERY.** In the event Seller has contracted for the sale of peanuts under separate contracts, Seller will be paid for deliveries of peanuts at the applicable price in the chronological order in which such contracts were signed.
9. **UNENFORCEABLE PROVISIONS.** In the event any one or more provisions of this contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this contract shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.
10. **ARBITRATION.** Any and all disputes under this contract shall be submitted for arbitration in accordance with Article VIII of the American Peanut Shellers Association Official Trading Rules. Provided, however, the foregoing shall not bar a party from the American Peanut Shellers Association Official Trading Rules. Provided, however, the foregoing shall not bar a party from injunctive or other equitable relief from a court of competent jurisdiction when necessary to prevent immediate irreparable harm, preserve the status quo pending resolution of the underlying dispute, or in aid of arbitration, provided that the underlying dispute, if not already submitted to arbitration, is submitted for negotiation and arbitration promptly after the applicable relief. Neither party shall be awarded punitive nor exemplary damages for claims hereunder.
11. **REJECTED PEANUTS.** JJP may reject any peanuts delivered hereunder which have any damage due to pitting, frost or concealed damage.
12. **RELEASE TSA RECORDS.** Seller hereby grants the applicable Farm Service Agency (FSA) office permission to release all records of Seller's to JJP pertaining to the planted acreage or marketing of peanuts on the farm covered by this contract.
13. **POINT OF DELIVERY.** Delivery shall be to the Buying Point specified in this contract, unless otherwise approved by JJP.
14. **PRICE ADJUSTMENT.** The term, "Basic Grade", means that the price per ton shall be adjusted up or down according to the official grade.
15. **USDA PRICE TABLE.** The term, "Basic Grade", means that the price per ton shall be adjusted up or down according to the official grade.
16. **NO SALE RE-GRADS.** At JJP's sole option, peanuts "re-graded" by Seller because of grade may be rejected.
17. **INTEREST.** Seller retains all beneficial interests in the peanuts until such time as the title to the peanuts is actually transferred to JJP. The warehouse receipts delivered to JJP and full payment of the purchase price is made by JJP. Until that time, Seller remains title to the peanuts and the risk of loss remains with Seller.
18. **ANALYSIS AND DAMAGE.** JJP has the option to chemically test for aflatoxin according to its own analytical procedures, and reject or discount according to its Payment Schedule, according to the results. On damage exceeding 2.49%, JJP shall have the option to reject or discount according to its Payment Schedule.
19. **RIGHT OF REFUSE.** Seller agrees that it will not sell or otherwise dispose of any Segregation 1, or Segregation 2, or Segregation 3 farmer stock peanuts produced from the aforesaid farm other than the peanuts sold to Buyer under this contract as described above without offering to sell the other peanuts to Buyer as follows: (a) Seller shall first obtain from a third party a written bona fide offer to purchase the other peanuts. (b) Before Seller may accept the third party offer to purchase, Seller shall offer to sell the other peanuts to Buyer on the same terms and conditions contained in the third party offer. (c) Buyer shall have 48 hours in which to accept Seller's offer to sell the other peanuts. If Buyer does not accept in writing Seller's offer to sell the other peanuts, then Seller may sell the other peanuts to third party upon the terms and conditions stated in the third party's offer to purchase. If Buyer does accept Seller's offer to sell the other peanuts, the written instrument of acceptance shall become a part of this contract and is fully incorporated herein by reference.
20. **GOVERNING LAWS.** Buyer and Seller agree that if, after the execution of this contract FSA, CCC, and/or USDA promulgate rules or regulations requiring specific terms and/or conditions and/or verbiage which is not contained in this contract, Buyer and Seller will re-execute this contract containing the required FSA Service Agency (FSA), CCC, and/or USDA terms and/or conditions and/or verbiage but using the identical pounds, prices, price formula, and percentage as contained herein.



OK Notice LP(GR)-1682

United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

Texas State
FSA Office
PO Box 2900
College Station, TX
77841-2900

August 20, 2002

In Reply
Refer To: 5-DGO

Cross Road Peanut Company
P.O. Box 663
Wellington, Texas 79095

Dear Sirs:

In response to your fax of August 12, 2002, we have reviewed the proposed contract titled "Contract for Purchase and Sale of Farmer Stock Peanuts" which you submitted on behalf of Cross Road Peanut Company. The intent of our review of the contract was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of any of the following:

- date title transfers from seller to buyer
- date warehouse receipts are delivered to the buyer
- date the peanuts are invoiced, or
- date payment is received for the peanuts.

We appreciate the opportunity to review this contract. We will provide the results of our beneficial interest determination to the Collingsworth County FSA Office.

If you have any questions, please contact me at (979) 680-5190.

Sincerely,

Darren G. Owens, Chief
Common Management/Price Support Division
Texas State FSA Office

6-20-03

OK Notice LP(GR)-1682

Contract for Purchase
And Sale of Farmer Stock Peanuts

No. _____

Golden Peanut Company, LLC (Golden)

100 North Point Center East Suite 400-Alpharetta, GA 30022

Date _____ Crop Year _____

Seller Name & Address: Vendor # _____ Seller Name & Address: Vendor # _____ Golden Registration # _____

_____ FSA State Code _____

_____ County & Code _____

_____ Farm Serial No. _____

S.S./Fed. I.D. # _____ S.S./Fed. I.D. # _____ Buying Point _____

Seller Name & Address: Vendor # _____ Seller Name & Address: Vendor # _____ Address _____

_____ Delivery Point _____

_____ Initial Inspection Point _____

_____ Collection Point _____

S.S./Fed. I.D. # _____ S.S./Fed. I.D. # _____ Storage Location _____

FARM PLANTING INTENTIONS

Intended Planted Acres: Center Pivot Irrigated _____ Other Irrigated _____ Dryland _____ Total _____ Average Yield Per Acre: _____ Variety _____

Seller understands that Golden is depending upon delivery of the peanuts contracted herein in order to fulfill its contract obligations. Seller warrants that Seller will plant not less than 90% of the intended acreage and shall certify to Golden in writing no later than August 1 of applicable crop year of the actual acreage planted.

Peanut type _____ Grade Standard _____ Seed Grower YES _____ NO _____ Seed Credit YES _____ NO _____ High Oleic YES _____ NO _____

Seller agrees to sell and Golden agrees to buy on the terms set out in this contract, according to Golden's Payment Schedule, dated May 24, 2002, for the applicable peanut type, the quantity of edible quality peanuts described below.

Delivery Period(s): _____

Price, basis grade:

1. _____ pounds @ \$ _____ per farmer stock ton.

2. _____ pounds @ \$ _____ per farmer stock ton above the USDA Marketing Assistance Loan Repayment Rate in effect at the time of delivery

LIENS, ASSIGNMENTS OR PRIOR INTERESTS: Seller certifies that there are no liens, crop insurance assignments or prior interests (such as, but not limited to, landlord's liens, landlord's crop share in the peanuts, landlord's crop share in money, FSA, PCA, banks, prior crop contracts, etc.) on the peanuts covered by this contract except as follows (use additional sheets if necessary):

	Name of Lienholder/Assignee	Address	Nature of Liens, Assignments or Prior Interests
1.	_____	_____	_____
2.	_____	_____	_____

Seller shall promptly notify Golden in writing of any liens, encumbrances or prior interests which may attach to these peanuts prior to payment. Seller authorizes Golden to discharge any and all liens, penalties, charges, or encumbrances out of the payments due hereunder. If peanuts covered by this contract are subject to a crop share in peanut leases with landlord, Seller shall have such landlord join in and acknowledge this contract by signing below. Seller's execution of this contract without such an acknowledgement shall constitute a representation that the peanuts covered by this contract are not subject to a crop share.

THE TERMS AND CONDITIONS APPEARING ON PAGE 2, "TERMS AND CONDITIONS", ARE PART OF THIS CONTRACT. This contract sets the terms and conditions under which Golden is willing to buy from Seller the peanuts designated herein. Seller recognizes that Golden, in reliance on this contract, has made binding commitments with respect to the quantity of peanuts herein contracted, and Seller agrees that it is obligated to deliver such quantity in compliance with the terms and conditions hereunder.

BOTH PARTIES hereto have read and understand the terms and conditions stated on the face of this contract and on Page 2, "Terms and Conditions", and agree to all of said terms and conditions. Both parties hereto intend this instrument to be a bona fide, binding and enforceable contract for the actual delivery of the peanuts herein provided.

SELLER ACKNOWLEDGES that use of daminozides, alachlor, bolran, iodosodium methanearsonate (MSMA) or any pesticides not specifically labeled for peanuts on the peanuts to be delivered pursuant to this Agreement constitutes a breach of this Agreement.

IN WITNESS WHEREOF the respective parties have signed these presents. By executing this agreement, Seller warrants and represents that it has full legal power and authority to deliver and sell for itself and any owner/operator all the peanuts covered by this Agreement and is the only person(s) sharing, as a Seller, in the proceeds from the sale of the peanuts covered by this Agreement.

GOLDEN PEANUT COMPANY, LLC

Seller Signature _____

Seller Signature _____

By: _____
(Authorized Agent)

Seller Signature _____

Seller Signature _____

(Address) _____

Landlord/Operator: Sale to Golden Peanut Company, LLC of peanuts by this contract is hereby acknowledged, confirmed and approved, and undersigned landlord hereby waives any right to assert or enforce against Golden any liens, crop shares or other rights or interests in any such peanuts.

(Landlord) Operator

Date: _____

Rev. May 24 2002

OK Notice LP(GR)-1682

TERMS AND CONDITIONS

1. **Entire Contract:** This contract constitutes the complete and exclusive agreement between Golden and Seller as to the subject matter hereof, supersedes any and all other agreements, representations, promises, statements or understandings between Golden and Seller as to the subject matter hereof, and may be amended only by written agreement signed by the party to be bound. No parol evidence shall be relevant to supplement or explain this agreement.
2. **Assignment:** The rights and obligations of Seller may not be assigned or terminated without the consent of Golden. This contract cannot be sold or traded. Furthermore, if the farms specified herein are sold prior to delivery of the peanuts subject to this contract, Seller's obligation to deliver said peanuts hereunder is unaffected. Golden may assign any or all of its obligations hereunder upon notice to Seller.
3. **Failure to Deliver:** It is the express bona fide intention of the Seller and Golden that Seller shall actually produce and deliver to Golden the full quantity of peanuts contracted hereunder. If Seller fails to deliver the full quantity of the peanuts as contracted hereunder, for any reason whatsoever, except for a weather-related act of God, Golden may, at its option, cover any undelivered quantity at Seller's expense, and/or exercise any right or remedy which it has under applicable law, including but not limited to, the Uniform Commercial Code as in effect in the State of Georgia. Golden and Seller agree that they have executed and delivered this contract in contemplation of the particular and unique characteristics and source of peanuts and Golden's own marketing and delivery requirements with respect thereto.
4. **No Adulteration:** Seller warrants that the peanuts delivered on this contract shall be fit for human consumption and not be adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act or be peanuts which may not, under provisions of that Act, be introduced into interstate commerce. Any peanuts not in compliance with the foregoing warranties or any peanuts, irrespective of grade, which are tagged, seized, condemned, declared unfit or otherwise objectionable by any municipal, state, or federal agency shall not be acceptable under this contract and ownership thereof shall remain with Seller. Seller shall pay all costs incurred by Golden with respect to any such peanuts. Seller further warrants that no product containing daminozides, alachlor, botran, or any pesticide not specifically labeled for peanuts, has been used on the peanut plants on which the peanuts were grown. Such use of daminozides, alachlor, botran monosodium methanearsonate (MSMA) or any other pesticide not specifically labeled for peanuts by the Seller shall constitute a breach of Seller's obligations hereunder. Seller will reimburse Golden for any and all costs and expenses incurred as a result of Seller's use of daminozides, alachlor, botran, MSMA, or any other pesticides not specifically labeled for peanuts by Seller. Such use shall constitute a breach of Seller's obligations hereunder. Seller agrees that Golden and/or its representatives shall have access at all reasonable times to examine Seller's acreage on which the peanuts are being grown and shall be permitted to take a reasonable number of plant tissue samples for chemical analysis.
5. **Separate Deliveries:** Seller may make separate deliveries hereunder. As Golden accepts each such delivery, Golden shall pay to Seller an amount for such delivery determined as set forth above. No payment by Golden shall be construed as a waiver of any term or condition of this agreement to be performed by Seller.
6. **Different Grades:** Golden, at its sole option, may accept delivery of a different kind or grade of peanuts than specified herein, or otherwise not complying with the terms and conditions herein. Any non-complying delivery accepted by Golden shall be at the price herein provided, subject to Golden's payment schedule. Acceptance of any delivery not complying with the terms and conditions of this contract shall not waive any rights or remedies accruing to Golden as a result of such noncompliance nor effect a waiver of any further noncompliance.
7. **Choice of Law:** This contract shall be governed by the laws of the State of Georgia and shall be void unless signed by both parties.
8. **Failure to Purchase:** Golden shall have the right to decline to purchase the peanuts contracted hereunder, in which event Seller's damages shall be limited to the amount, if any, which Golden agreed to pay Seller above the USDA marketing assistance loan repayment rate.
9. **Order of Delivery:** In the event Seller has contracted for the sale of peanuts under separate contracts, Seller will be paid for deliveries of peanuts at the applicable price in the chronological order in which such contracts were signed.
10. **Unenforceable Provisions:** In the event any one or more provisions of this contract shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegibility, or unenforceability shall not affect any other provision hereof, and this contract shall be construed as if such invalid, illegal or unenforceable provision has never been contained herein.
11. **Arbitration:** Any and all disputes under this contract shall be submitted for arbitration in accordance with Article VIII of the American Peanut Shellers Association Official Trading Rules. Provided, however, the foregoing shall not bar a party from injunctive or other equitable relief from a court of competent jurisdiction when necessary to prevent immediate irreparable harm, preserve the status quo pending resolution of the underlying dispute, or in aid of arbitration, provided that the underlying dispute, if not already submitted to arbitration, is submitted for negotiation and arbitration promptly after the applicable relief. Neither party shall be awarded punitive nor exemplary damages for claims hereunder.
12. **Damaged Peanuts:** Golden may reject any peanuts delivered hereunder which have any damage due to pitting, freeze or concealed damage.
13. **Release of FSA Records:** Seller hereby grants the applicable Farm Service Agency (FSA) office permission to release all records of Seller's to Golden pertaining to the planted acreage or marketing of peanuts on the farm covered by this contract.
14. **Point of Delivery:** Delivery shall be to the Delivery Point specified in this contract, unless otherwise approved by Golden.
15. **Basis Grade:** The term, "Basis Grade", means that the price per ton shall be adjusted up or down according to the official grade results. The Golden Peanut Company Payment Schedule, according to type, dated May 24, 2002, shall be used to determine the final price.
16. **No Sale/Re-Grade:** At Golden's sole option, peanuts "no-saled" by Seller because of grade may be rejected.
17. **High Oleic Peanuts:** Seller warrants that if the peanuts herein are high oleic, the appropriate box on the contract is marked and that the seed from which such peanuts were produced are from a licensed source.
18. **Beneficial Interest:** Seller retains all beneficial interests in the peanuts until such time as the title to the peanuts is actually transferred to Golden, the warehouse receipts are delivered to Golden, or full payment of the purchase price is made by Golden. Until that time, Seller retains title to the peanuts and the risk of loss remains with Seller.
19. **Aflatoxin and Damage:** Golden has the option to chemically test for aflatoxin, according to its own analytical procedures, and reject or discount according to its Payment Schedule, according to the results. On damage exceeding 2.49%, Golden shall have the option to reject or discount according to its Payment schedule.

ADDENDUM 3



Contract for Purchase And Sale of Farmer Stock Peanuts

SEED PRODUCER TERMS AND CONDITIONS

CROP YEAR _____

Golden Peanut Company, LLC

100 North Point Center East • Suite 400
Alpharetta, Georgia 30022

Buying Point: _____

Collection Point: _____

This Addendum amends by additional provisions herein that certain Contract for Purchase and Sale of Farmer Stock Peanuts (Contract) by and between Golden Peanut Company, LLC (Golden) and _____ (Seller) dated _____ and numbered _____ and is entered into for the production by Seller of a particular variety of seed peanuts in _____ County, _____ (State).

1. ACREAGE/POUNDAGE/PREMIUM - Seller agrees to make available for the purpose of producing seed peanuts: Acreage _____ Variety _____ Generation planted _____ to produce _____ generation, (hereinafter the "seed"). Golden shall pay seed premium on _____ lbs. of peanuts produced as seed meeting the specifications hereunder on the Acreage. The seed premium will be paid on the net weight of farmer stock seed, less loose shelled kernels (LSK), at the rate of \$ _____ per ton, at the time of purchase. Seller agrees that the Acreage will meet the certification requirements of the applicable seed certifying agency or authority (Seed Agency) having responsibility for the certification of seed grown by Seller.

2. PLANTING PRACTICES - Seller agrees to utilize his best efforts to produce a high yield of quality seed solely of the designated variety which will conform to the specifications herein and be suitable for seed purposes. Seller shall notify Golden if his proposed time and methods of planting and cultivation differ significantly from the normal planting practices in the area of the Acreage. The final planting date for seed production will be _____. Seller shall permit and cooperate in the inspection of the Acreage as required by Golden and the State Certification Agency and shall implement the recommendations of Golden and the State Certification Agency for the production of seed peanuts grown hereunder. If Seller fails to comply with the rules and regulations for certifying peanut seed prescribed by the Seed Agency or commits any act, or fails to commit any act, which prevents the peanuts from being certified, Golden shall be released from its obligation to purchase Seller's peanuts as seed and also released of its obligations to pay a seed premium; provided, however, that neither Golden nor Seller shall be released of their obligations to perform under the terms and conditions of the Contract and any other addendum to the Contract. If located in the Virginia/Carolinas or Southeast area, seed Seller will apply calcium sulfate regardless of soil test to seed production fields at state extension service recommended rates.

3. CLEANING AND CURING - All peanuts, regardless of condition, produced on the Acreage pursuant to the Contract and this Addendum shall be delivered at harvest by Seller at Seller's expense to Golden to the specified delivery point or an alternative delivery point within a reasonable distance of the specified delivery point, as Golden may designate, for the purpose of cleaning and/or mechanical curing at Golden's standard rates. With Golden's prior written approval, Seller may have seed peanuts cured on farm curing equipment which has been approved and will be supervised by Golden.

4. SPECIFICATIONS

(a) The peanuts must meet the following minimum specifications, on the first grade, to qualify for the seed premium:

1. Specifications of the applicable Seed Agency.
2. Combining moisture level between 16% and 20% moisture and cured at a maximum temperature rise of 15°F above ambient temperature and not to exceed 95°F, except that in the Southwest area, solar trailers and bags shall not exceed 18% moisture at combining and shall show no evidence of molded hulls and/or caking.
3. Moisture content of no less than 8% and no more than 10.49%, unless otherwise approved by Golden.
4. Maximum of 4% sound splits
5. Maximum of 6% loose shelled kernels.
6. Minimum of 68% sound mature kernels.
7. Maximum of 6% foreign material.
8. No high moisture foreign material as determined by official inspection.
9. No freeze damage or pitting.
10. Golden reserves the right to reject seed fields infected with sclerotinia or CBR.

If seed does not meet the above specifications, Seller is in no way relieved of the obligations of the Contract.

(b) For the purpose of certification, Golden shall be considered the producer of seed produced hereunder, and Golden agrees to pay all certification costs.

(c) Seller agrees to allow Golden representatives to inspect fields and/or handling/curing equipment for compliance with the above specifications, and that such determination shall be final.

5. REPRESENTATIONS AND WARRANTIES - Seller warrants that the seed produced and delivered by Seller to Golden hereunder shall not be encumbered by any claim, lien or indebtedness. If Seller plants on farm land other than his own, or produces the seed in partnership, joint venture, or otherwise in cooperation with any other person, Seller shall indemnify and save Golden harmless from any and all claims to payments for seed produced hereunder by any third party. Seller expressly agrees to indemnify and save Golden harmless from any and all losses or damage occasioned to Golden as a result of Seller's breach of the aforesaid warranties.

6. The delivery and storage location of the seed will be designated by Golden.

Golden Peanut Company, LLC
Approved by: _____

By: _____
Regional/Area Procurement Manager

Dated: _____

Buying Point Location: _____

Seller: _____

Dated: _____

Seller: _____

Dated: _____

(Operator/Landlord): _____

Dated: _____



AUG 8 2002

United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Avenue, SW
Stop 0512
Washington, DC
20250-0512

Mr. Joseph Warnken
Wilco Peanut Company
P.O. Box Drawer B
Pleasanton, Texas 78064

Dear Mr. Warnken:

In response to your fax of June 27, 2002, we have reviewed the proposed contract titled "Option to Purchase Farmer Stock Peanuts." The intent of our review of the contract was to determine whether the seller retains beneficial interest in the peanuts, and thus, eligibility for a Commodity Credit Corporation (CCC) marketing assistance loan or loan deficiency payment.

Producers entering into this contract would be considered to have lost beneficial interest in the peanuts when the peanuts are redeemed from CCC loan, provided such peanuts are pledged as collateral for a CCC marketing assistance loan.

If the peanuts are not pledged as collateral for a CCC marketing assistance loan, producers entering into the above contract lose beneficial interest in the peanuts the earlier of any of the following:

- date title transfers from seller to buyer
- date warehouse receipts are delivered to the buyer
- date the peanuts are invoiced, or
- date payment is received for the peanuts.

We appreciate the opportunity to review this contract. We will provide the results of our beneficial interest determination to the Texas State FSA Office.

If you have any questions, please contact Toni Williams in the Price Support Division at (202) 720-2270.

Sincerely,

Deputy Administrator for
Farm Programs

OK Notice LP(GR)-1682

Option to Purchase Farmer Stock Peanuts

1) STATE AND COUNTY WHERE PRODUCED:

2) NO:

3) CROP YEAR:

4) NAME OF HANDLER:
 WILCO PEANUT CO.
 P. O. BOX B
 PLEASANTON, TX 89064

5) NAME OF PRODUCER (S):

In exchange for \$ 10 per estimated ton, producer grants to handler an option to purchase all pounds of Runner Farmer Stock Peanuts produced on Farm Serial No. _____ in _____ County, _____ and/or warehoused peanuts. (Option payment to be adjusted up or down on actual production of peanuts meeting all requirements specified herein)

Quality of Peanuts: The peanuts covered by this option will not exceed the maximum damage, foreign material and moisture requirements for Segregation 1 Farmer Stock as published in the MARKETING AGREEMENT FOR PEANUTS (No. 146) 2001 REGULATIONS AND INSTRUCTIONS In Effect as of July 1, 2001. Freeze damage and yellow pitting damage may not exceed ½ of one per cent combined. The peanuts covered by this Option to Purchase will be free from visible A. flavus mold and will meet any other aflatoxin standard established by the Secretary of Agriculture for peanuts for human consumption.

This option shall be for the 2003 Crop Year only and all rights and obligations of the parties to this option shall be fulfilled from Farmer Stock Peanuts produced in the 2003 Crop Year only.

Notwithstanding any other provision of this option to purchase, title; risk of loss; and beneficial interest in the commodity, as specified in 7 CFR part 1421.6, shall remain with the producer until the buyer exercises this option to purchase the commodity. This option to purchase shall expire, notwithstanding any action or inaction by either the producer or the buyer, at the earlier of: (1) The maturity of any Commodity Credit Corporation loan which is secured by such commodity; (2) the date the Commodity Credit Corporation claims title to such commodity; or (3) such other date as provided in this option.

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This option may be exercised by handler at any time beginning immediately after harvest and shall expire not later than May 31, 2004 or a date fixed by (1) or (2) in the paragraph immediately preceding this paragraph.

In the event the handler exercises the **Option to Purchase**, the purchase price shall be determined using the applicable of the following methods.

If the producer has elected to receive a loan deficiency payment in lieu of the Marketing Assistance Loan, the purchase price shall be calculated as follows:

The Marketing Assistance Loan Price for the lot of peanuts to be delivered by producer less the Loan Deficiency Payment received (per ton basis) plus \$_____ per ton. If the producer is not eligible for a Loan Deficiency Payment or the Loan Deficiency Payment is zero the purchase price shall be the Loan Repayment Price plus \$____ per ton.

If the producer has elected to place the peanuts covered by this option in CCC storage and receive a Marketing Assistance Loan, the price will be the Loan Repayment Price as established by the Secretary of Agriculture on the date that handler exercises the Option to Purchase plus \$____ per ton.

In the event handler exercises the Option to Purchase and the producer has utilized the Marketing Assistance Loan and CCC (or FSA) has issued a form allowing Designation of Agent – Peanuts (or any other form similar to Form CCC-605 for cotton), the Handler may at his sole option and for the purpose of redeeming the peanuts pledged as collateral for the Marketing Assistance Loan, require Producer to execute this form and designate the Handler as the Agent.

In the event handler exercises the Option to Purchase and the producer has utilized the Marketing Assistance Loan, the producer may, with Handlers', FSA and CCC approval, satisfy the delivery requirements by transferring to the Handler Commodity Certificates issued by CCC for the amount of peanuts specified in the first paragraph of this Option to Purchase.

(Continue with signature page)

OK Notice LP(GR)-1682

OPERATOR'S SIGNATURE: The farm Operator's signature below indicates that the Producers whose names are entered in item 5 are Producers of peanuts on the farm identified in paragraph 1 and are authorized to deliver peanuts from such farm or warehouse in accordance with this option.

PRODUCER'S SIGNATURE: The person who has executed this option by signing below as a Producer warrants and represents that such person has full legal power and authority to deliver and sell peanuts covered by this option, and as a Producer, is entitled to share in the proceeds from the sale of the peanuts covered by this option.

OPERATOR'S NAME:

HANDLER OR AUTHORIZED AGENT NAME:
WILCO PEANUT CO. by

ADDRESS:

ADDRESS:
P. O. Drawer B
Pleasanton, Texas 78064

OPERATOR'S SIGNATURE: DATE:

HANDLER OR AUTHORIZED AGENT SIGNATURE: DATE:

Operator must also sign below as a producer if name is recorded in paragraph 1

PRODUCER'S NAME:

PRODUCER'S NAME:

ADDRESS:

ADDRESS:

PRODUCER'S SIGNATURE: DATE:

PRODUCER'S SIGNATURE: DATE:

PRODUCER'S NAME:

PRODUCER'S NAME:

ADDRESS:

ADDRESS:

PRODUCER'S SIGNATURE: DATE:

PRODUCER'S SIGNATURE: DATE: